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China Report

ECONOMIC AFFAIRS

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23 MARCH 1987

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NATIONAL AFFAIRS, POLICY

PROFIT REDISTRIBUTION, INDUSTRIAL EFFICIENCY VIEWED

OW071339 Beijing XINHUA in English 1106 GMT 7 Jan 87

[Text] Beijing, 7 January (XINHUA)--For Chinese industrial enterprises, a drop in profits does not mean a decrease in overall economic efficiency because of three areas of profit redistribution.

Today's ECONOMIC DAILY quoted officials of the State Economic Commission as saying, "Overall economic efficiency remained stable because of a redistribution of industrial profits to social and non-industrial sectors, and a shifting of profits from the processing to the raw materials industry."

Officials of the commission, China's highest economic coordinating body, said, "The first redistribution involved rechanneling industrial profits to urban construction, expansion of cultural and educational facilities, and some firms and businesses opening shops."

An official said, "A survey of 2,000 industrial firms in coastal Shandong Province showed money raised through profit redistribution doubled the firms' funds earned through production growth."

Of the redirected funds, 40 percent were spent on urban construction and public utilities, and 40 percent on education.

"Businesses have to include these expenses in production costs, thus reducing their profits," officials said. "And in the future, profits and taxes paid to the state will be designated in the budget specifically for urban construction."

The second redistribution, the transfer of industrial profits to non-industrial sectors, such as transportation, banking, and agriculture, is also possible because the state diverted some industrial profits to other sectors in a systematic way, in an attempt to tighten overall economic control and reorganize the industrial structure.

"For this purpose," according to the ECONOMIC DAILY, "the government has raised the prices of some manufactured goods, short-distance transportation, and bank loan interest rates, while lifting price controls on capital goods, and some agricultural and sideline products."

Prices of imported raw materials rose last year following the devaluation of Chinese currency (rmb), and the rise in the value of the Japanese yen on the international market.

"These factors have accounted for at least 50 percent of the jump in costs of state-owned industrial businesses since the beginning of 1986," the newspaper said. "And because of such an increase, about one-third of the redistributed profits were allocated to agriculture, transportation, and banking."

The third redistribution, the shift of the processing industry's profits to the raw materials industry, is effected by the climbing prices of industrial raw materials.

This governmental action is designed to "readjust the internal industrial structure and enable the raw materials industry to keep pace with the growth of the processing industry."

The processing industry grew 2.2 percent in the first half of 1986, mining climbed 4.8 percent, and the raw material industry increased 9.8 percent. "This change has eased the long-standing short supply of raw materials," the newspaper said.

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CS0: 4020/122

NATIONAL AFFAIRS, POLICY

NATIONWIDE CAPITAL GOODS SERVICE NETWORK FORMED

OW151220 Beijing XINHUA in English 1211 GMT 15 Jan 87

[Text] Beijing, 15 January (XINHUA)--A nationwide network to handle transactions of raw materials, machinery, and other capital goods is taking shape in China, according to the State Economic Commission.

This is regarded by leading economists as a "major breakthrough" in the reform of China's commodity circulation system.

Previously, the capital goods or means of production were controlled by the state and not allowed to be sold on the market as commodities.

According to officials of the commission, China has had 858 such capital goods service companies which earned a combined profit of over 8 billion yuan in 1985. They helped enterprises to purchase, sell, process, and transport goods not included in the state plan. Their business scope also covers running "capital goods market", providing leasing, technical advice, and international trust services. Some companies in special economic zones have grown into economic mainstays.

Now signs show that the service companies are forming amalgamated incorporations or enterprise groups and even shareholding joint companies have merged in some provinces.

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CSO: 4020/122

NATIONAL AFFAIRS, POLICY

YOUTH PAPER ON SHAREHOLDING SYSTEM DEBATE

HK200835 Beijing ZHONGGUO QINGNIAN BAO in Chinese 5 Feb 87 p 3

[Article by Zheng Zhixiao (6774 1807 2556): "The Practice and Theory of the Joint-stock System"]

[Text] In modern times, a joint-stock economy is such an economic form in which individual capital is combined into group capital through the issuance of shares. This is a product of the capitalist commodity economy when it develops to a certain level. This economic form itself does not have a specific socioeconomic character. Capitalism can use it to develop social productive forces and socialism can also use it to conduct economic construction. For this reason, China's economists put forth the issue of the joint-stock system in recent years, and experiments have been made in various localities.

Urban enterprises that adopted the joint-stock system began to appear in 1984, and joint-stock enterprises in the countryside appeared even earlier. By the end of 1986, there were nearly 7,000 joint-stock enterprises in cities and in the countryside of the whole country with a total capital of more than 6 billion yuan. In Shenyang City, pilot schemes of the joint-stock system were carried out in 51 enterprises in early 1985, and 11 of these enterprises are under all people ownership. In Beijing, the first influential joint-stock enterprises include the Tianqiao Department Store Co. Ltd. and the Liyuan Household Chemicals Co. Ltd. As for the management system, these joint-stock enterprises generally adopted the manager responsibility system under the leadership of the board of directors; as for the distribution system, they generally adopted the method of issuing dividends to shareholders. In general, the shareholders can receive an amount of dividend accounting for 15 to 20 percent of their stock. The shareholders of these enterprises will have to jointly undertake the risks and bear responsibility for all profits and losses. In view of the pilot schemes in various localities, the joint-stock enterprises can be divided into three categories: first, enterprise syndicates formed by a number of enterprises by using various production factors to join some specific projects; second, joint-stock enterprises with their existing assets being turned into stock and their workers subscribing additional stock; and third, joint-stock enterprises which not only issue stock to their own workers but also issue shares to other enterprises and institutions in society.

In recent years, the economic circles in our country have warmly discussed the issue of the joint-stock system. Now the debate is focused on the reform orientation of urban enterprises under all people ownership. One opinion holds that the joint-stock system is a significant measure for invigorating the enterprises and for speeding up economic development: First, this can give a concrete form to the ownership relationship of the state-owned enterprises, thus changing the previous situation in which all people are owners of the enterprise but no people are responsible for the enterprises; second, this will help the state-owned enterprises really become commodity producers and handlers with greater decisionmaking power; third, under the joint-stock system, the interests of the state, the enterprise, and the workers can be directly integrated and coordinated; thus overcoming the present problem that most enterprises are merely concerned with their short-term interests; fourth, with workers becoming stockholders, their initiative, creativity, and sense of responsibility as masters will be better aroused and this will increase the enterprises' internal motive power; and fifth, the joint-stock system is a way to make use of idle funds scattered in society so as to promote the horizontal movement of funds and to help restrain the excessive swelling of investment.

On the other hand, comrades who oppose the adoption of the joint-stock system in enterprises under all people ownership hold that apart from helping raise some funds, the joint-stock system does not play other significant role, but will bring about many problems: First, the joint-stock system will not increase the vigor of state-owned enterprises, because the state-owned stock remains the main body and state ownership does not change; second, the small amounts of stock owned by workers will not make the workers an interest group which can influence the operation of the enterprise, it is impossible to allow the workers to hold a substantial amount of stock which can influence the destiny of the enterprise, because this is not in line with the socialist nature of the enterprise; third, the payment of dividends violates the principle of "distributing according to work" and will expand the sense of inequality in society; and fourth, the transaction of shares will foster people's mentality of speculation and bring about various unhealthy tendencies and irregularities.

Many comrades hold that the joint-stock system and the joint-stock economy are two different concepts which should be distinguished from one another, as a form of raising funds, the joint-stock system should be affirmed and put into practice; however, as an ownership form or a target of the reform of the ownership system, the joint-stock economy under a socialist system still lacks sufficient theoretical and practical foundation, and should not be encouraged.

It is necessary to sum up the practical experience in pursuing the joint-stock system and to explore the theory about this system. Many people pointed out that special attention should be paid to following points: First, it is necessary to really make sure the connotation and extension of the concept of

joint-stock system, and formalism should be prevented; second, it is necessary to make investigations and studies in a down-to-earth manner so as to accurately grasp the tendency in practice; third, effective measures should be taken to solve problems in the enterprises, people should be prevented from rushing headlong into mass action by taking the joint-stock system as something like panacea; fourth, it is necessary to carefully prevent that some people try to restore or consolidate the old structure in the name of adopting the so-called "joint-stock system" and refuse to separate the enterprise from the government and separate administration from party affairs, and it is also necessary to prevent the issuance of excessive bonuses which will harm the state interests.

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CSO: 4006/375

NATIONAL AFFAIRS, POLICY

GUANGMING RIBAO ON ROLE OF COLLECTIVE ECONOMY

HK231050 Beijing GUANGMING RIBAO in Chinese 7 Feb 87 p 3

[Article by Wang Chuhong (3769 2806 3163): "The Collective Economy Should Be the Basis of China's Ownership Structure"]

[Text] In the wake of the development of the planned commodity economy and the reform of the management structure, the ownership structure of production means in our country has been changing gradually in recent years. The basic tendency of this change is the common development of various economic sectors and management forms on the basis of the collective economy and with the ownership by the whole people as its key link. This is a new mode for the socialist ownership structure with Chinese characteristics.

The selection of the collective economy as the basis of China's economy in the present stage of socialism is in keeping with both the current level of the productive forces and the actual circumstances in our country.

First, the selection of the collective ownership as the basis is the only way to socialist industrialization with Chinese characteristics. To achieve modernization, China must first achieve industrialization. However, the mode that solely depends on cities and state enterprises for industrialization is time-consuming and involves many difficulties. And it lacks intrinsic motive force. The introduction on a full scale of the reform of the rural economic structure with the system of contracted responsibilities on the household basis with remuneration linked output has shown us a new road to, and new mode of industrialization with Chinese characteristics, according to which rural industrialization will be carried out along with urban industrialization, and the 800 million peasants will be mobilized to engage in industrialization, with town and township enterprises, people-run industries, and other collective economic sectors as its main body. The amount of fixed assets of collective-run industries in rural areas is less than 10 percent of that of state-run industries, but the portion of their output value in the whole industrial sector rose from 6.8 percent in 1978 to 15 percent in 1984. And, in particular, the output value of collective enterprises now accounts for 43.7 percent of the total output value of the light industrial sector, and the amount of foreign exchange they earn through exports accounts for

73.7 percent. Thus it can be seen that collective-run industries are not only a force pushing rural industrialization and modernization ahead but also the producers of consumer goods in China. Therefore, the selection of the collective economy as our economic basis is the only way to China's industrialization.

Second, the selection of the collective economy as our economic basis is an objective demand arising from the socialist planned commodity economy with Chinese characteristics. In fact, the socialist planned commodity economy with Chinese characteristics is in substance a commodity economic system which integrates various economic sectors on the basis of the collective ownership and with the ownership by the whole people as its key link. A transition from the natural economy to the large-scale commodity economy must be effected in rural areas, while a transition from the planned product economy to the planned commodity economy must be effected throughout the country. The system of contracted responsibilities on the household basis with remuneration linked to output is in fact the use of public land by individuals on lease. This system has greatly boosted the rural productive forces, helped to divert the released elements of production to non-agricultural production, promoted the development of secondary and tertiary industries in rural areas, and thus accelerated the development of the commodity economy in rural areas. Therefore, township and town enterprises and people-run enterprises with the collective economy as their main form is the basis for the development of the commodity economy in rural areas.

Third, accelerating the development of the collective economy is one of the principal approaches to effecting a gradual transfer of hundreds of millions of rural dwellers to cities and towns, as well as to speeding up socialist modernization. On the whole and in substance, socialist modernization is the modernization of the rural economy, an evolution of rural areas from the traditional natural economy with handicraft tools as its basic means of production to the commodity economy with the modern form of production by machinery as its basis. This evolution is a process to change hundreds of millions of rural dwellers into urban dwellers. How fast this evolution goes will determine the pace of modernization. We cannot possibly accomplish this evolution by solely relying on the existing cities and the enterprises under the ownership by the whole people in cities.

For the moment, the state should take various measures to speed up the development of the collective economy. The principal measures are as follows:

1. All the former collective-run economic entities that were forced to be changed into entities under the ownership by the whole people are to be restored. In particular, handicraft cooperative enterprises, supply and marketing cooperatives and credit cooperatives in rural areas, as well as other relevant enterprises, should all regain their full status as collective enterprises.
2. A greater number of small-sized state-owned enterprises are to be leased and operated by collectives. This will help to separate the ownership and

the right of operation of enterprises and change state-owned enterprises into ones which integrate the state and collective economies. In other words, with their ownership retained by the state, enterprises are to be leased to and operated by collectives. Thus the influence of the collective economy will be expanded.

3. Through the establishment of joint-stock companies and the development of lateral economic ties, the collective economy will be expanded. This can be achieved in three ways: First, collective enterprises buy shares from state-owned enterprises and thus take part in the management of the latter; second, collective enterprises are to join state-owned enterprises and individual-run economic entities in setting up integrated complexes; and third, collective enterprises and foreign business firms are to form Chinese-foreign joint ventures or cooperative enterprises. In brief, the business of collective enterprises will be expanded through the full utilization of the joint-stock company as a form of management.

4. State-owned enterprises that are operated inefficiently are to be sold to collective enterprises.

5. Individual-run economic entities are to be linked up by various means as a step toward the expansion of the collective economy. A tendency of merger will naturally follow the massive development of the individual economy in urban and rural areas. No matter how individual economic entities are merged, they will no longer be pure individual economic entities after merger, but will have the nature of the cooperative economy or the collective economy. And this is naturally an objective condition for the massive development of the collective economy.

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CSO: 4006/375

NATIONAL AFFAIRS, POLICY

YUAN BAOHUA ON ENTERPRISE-UPGRADING CRITERIA

OW210027 Beijing XINHUA Domestic Service in Chinese 0731 GMT 20 Feb 87

[By reporter Xu Kehong]

[Text] Beijing, 20 Feb (XINHUA)--It is reported that in-depth enterprise reform will be carried out this year in order to upgrade the enterprises in our country. This will be done in close conjunction with the assessment of enterprises according to the three major representative criteria of improvement in product quality, lowering of material consumption, and boosting economic benefits. To do so will also help develop the movement to increase production and practice economy, and to boost revenue and cut expenditure.

On the basis of the State Council's related regulations on intensifying enterprise management, and the main criteria it has set for grading enterprises, there will be four grades of enterprises in our country, namely, special-grade state, first-grade state, second-grade state, and advanced provincial-level enterprises. There are three major criteria for grading an enterprises, that is, the quality of its main products, its consumption of principal materials, and the economic benefits it produces. It is reported that the first group of enterprises qualified for the state grades will be selected and announced in the third quarter of this year.

Speaking at today's work meeting on strengthening enterprises management, attended by representatives from State Council departments, Yuan Baohua, vice minister of the State Economic Commission and head of the Leading Group for Strengthening Enterprise Management, stressed: in appraising an enterprise with a view to its upgrading, we should never include everything in the criteria. We should draw experience and lessons from past work in consolidating enterprises. Too many and over-elaborate criteria would easily lead to formalism.

Yuan Baohua pointed out: It is an important part of economic work during the Seventh 5-Year Plan to strengthen the management of enterprises and do a successful job in upgrading them. This is also of great importance in the development of an intensive and extensive movement to increase production and practice economy, and to boost revenue and cut expenditure, because improving product quality, lowering material consumption, and boosting economic

benefits are major aspects for increasing production and practicing economy. He called on all trades to pay close attention to establishing their specific criteria for upgrading enterprises in accordance with the principle of high standards and strict demands. He said: For upgrading enterprises, there should be strict and scientific criteria for appraising them. The criteria for upgrading enterprises should be based on specific data. Not only should there be a qualitative concept, but more important are quantitative standards. The three criteria concerning product quality, material consumption, and economic benefits are all concrete criteria. To apply them, we must have clear and definite measuring standards, and all enterprises must be given equal treatment when being appraised by these criteria. Also, we must set high standards and strict demands, otherwise we could not achieve the expected goal, but would work perfunctorily.

Grasping management, upgrading enterprises, and improving all aspects of their performance is systems engineering. All departments concerned are required to achieve a unified understanding of this, and take coordinated action to make this work a real success. In his speech, Yuan Baohua also urged various localities and departments to establish organs for strengthening and coordinating enterprise management as soon as possible, if they have not yet done so. Where such organs have been established, he added, it is necessary to set up, and perfect, the work system, to make smooth progress in promoting the work of upgrading enterprises.

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NATIONAL AFFAIRS, POLICY

PROGRESS IN URBAN ECONOMIC STRUCTURAL REFORM

HK201426 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0500 GMT 20 Feb 87

[Text] Beijing, 20 Feb (ZHONGGUO XINWEN SHE)--A press spokesman of the State Statistical Bureau, Zhang Zhongji, said today: On the basis of consolidating and digesting the achievements made over the past few years, continuous progress has been scored in various aspects of the urban economic structural reform, which are beneficial to future development. He cited the progress made in the following four aspects:

1. Lateral economic links have been extensively established. In the industrial sector, 6,833 laterally economically integrated bodies have been established, with industrial enterprises above the county level as their main constituents. Capital of 11 billion yuan has been invested. Apart from integration of production units, there is integration between production units and departments responsible for commodity circulation on the one hand, and between production units and scientific and technical departments on the other. The establishment of multilevel and multiform laterally economically integrated bodies in various trades and services has removed barriers at all levels and promoted the rational flow of materials, capital, technology, and personnel.
2. Progress has been made in the reform of the labor system. Four provisional stipulations have been made, covering the labor contract system implemented in the state-operated enterprises, recruitment of workers, dismissal of workers and staff members who violate discipline, and insurance for workers and staff members waiting for job assignments. In the meantime, the experiments in the leadership structural reform in the state-operated industrial enterprises have also been expanded. According to statistics issued by 21 provinces, autonomous regions, and municipalities directly under the central government, 43 percent of the state-operated industrial enterprises have implemented the factory director responsibility system.
3. A new breakthrough has been made with regard to financial structural reform, and the development of the capital market.
4. New developments have been achieved in the experiments carried out by small state-operated enterprises, which are aimed at promoting diversification

of operation. For example, 8 percent of the small industrial enterprises and three-fourths of the small commercial enterprises have adopted various kinds of methods for business operation, including collective operation, leasing, individual operation based on contracts, and so on. Some 110,000 projects have been undertaken by building construction enterprises on the basis of various economic responsibility system based on contracts. These projects cover 83 percent of the entire floor space under construction.

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CS0: 4006/375

BRIEFS

INDUSTRIAL ENTERPRISES PROGRESS--Beijing, February 18 (XINHUA)--China made steady progress in economic reforms in industrial enterprises last year, according to a survey by the State Statistics Bureau. The survey shows some 23,000 of the 54,000 state-owned industrial enterprises have adopted the director's responsibility system and these enterprises generally reported better economic results than the national average. The country also sped up reform in separating ownership from management by contracting or leasing enterprises to individuals or collectives. The survey shows 2,900 small state-owned enterprises have been leased or contracted out. About half of these enterprises reported an increase of about 20 percent in production and profits last year over 1985. Cooperation between enterprises developed at the same time. According to the survey, the country has now 6,833 cooperative organizations involving 15,740 enterprises. Enterprises that cooperated with each other reported 23.6 percent more production last year over 1985. Economists say the country should further invigorate enterprises, especially large and medium-sized state-owned enterprises. Different enterprises should try different operation methods and all of them should put the emphasis on reducing costs and raising efficiency. [Text] [Beijing XINHUA in English 0231 GMT 18 Feb 87 OW] /662

MOBILIZING PEASANTS' INITIATIVE--Beijing, February 17 (XINHUA)--Experts in agriculture meeting here suggest the boosting of farm production by strengthening the agricultural foundation and mobilizing peasants' initiative, the PEOPLE'S DAILY reported today. According to the experts attending a discussion sponsored by the paper, a number of people are intoxicated with the rapid development of agriculture over the past few years and think there is no problem in agricultural development. As a matter of fact, one expert said, the peasants' interest in farming is cooling and the grain output is dropping. "If the situation is not changed, it will affect the national economic development." The experts agreed that the agricultural foundation is weakening. They said that farmland is constantly being reduced; only one-fifth of the cultivated land in the country is ensured of stable yields despite drought or excessive rain; the proportion of investment in farm capital construction dropped from 2.1 billion yuan in 1980 to 1.1 billion yuan in 1984; and many farm machines are aging or overused. They suggested mobilizing the peasants' initiative and encouraging them to spend more to boost farm production while guaranteeing their autonomy and benefits. [Text] [Beijing XINHUA in English 0923 GMT 17 Feb 87 OW] /6662

MINISTRY URGES FIRE PREVENTION--Beijing, February 20 (XINHUA)--The Forestry Ministry has called for stepping up forest fire prevention, noting that most areas of China are experiencing higher temperatures and less rainfall than last year, the PEOPLE'S DAILY reported today. Since January 1, there have been 300 forest fires in Fujian, Guizhou, Jiangxi, Shanxi, Sichuan, Guangdong and Shaanxi Provinces and Quangxi Zhuang Autonomous Region, killing 15 people and destroying 6,667 hectares of forest. Fujian has reported 130 forest fires, and Guizhou, Guangdong, Shanxi, Sichuan and Jiangxi each lost 700 hectares of forest to fire, the paper said, quoting reports from these areas. The Forestry Ministry called on local governments to launch publicity campaigns, promote fire prevention and punish those who violate regulations or cause forest fires. [Text] [Beijing XINHUA in English 0838 GMT 20 Feb 87 OW] /6662

CSO: 4020/125

PROVINCIAL AFFAIRS

GUANGDONG SUCCESSFUL IN SEVENTH 5-YEAR PLAN

Guangzhou NANFANG RIBAO in Chinese 22 Dec 86 p 1

[Article by reporter Fan Xiangqun [5400 0686 5028]: "Fine Economic Situation in Guangdong Surpasses Expectations; Fine Start to Implementation of First Year of Seventh 5-Year Plan; Industrial and Agricultural Production May Exceed Goals, Large Increases in Export Trade, People's Standard of Living Continues To Improve"]

[Text] It has been revealed at the Guangdong Planning Conference, now underway, that Guangdong has made a fine start on the Seventh 5-Year Plan.

—The provincial economy has been growing steadily. It is predicted that the total value of provincial production will be 9.6 percent more than last year. In the rural economy, except for somewhat reduced yields of grain, sugarcane, jute, bluish dogbane, and silkworm cocoons, there has been major growth in other cash crops, fruit, aquaculture, and animal husbandry. There are almost 2 million mu of newly planted orchards, and in coastal areas there are 150,000 more mu of ocean aquaculture. The total income for township enterprises has grown 21 percent. The total industrial output value in Guangdong may surpass the planned goals; in the second half of the year industrial production grew 12.3 percent, faster than the 9.6-percent growth in the first half of the year. Trial production started this year in the South China Sea oilfields, with potential output of more than 100,000 tons of crude oil.

—Considerable progress has been achieved in building up the export production system, spurring a large increase in exports. It is predicted that the total value of this year's exports will be 25.2 percent more than last year's.

--There is an ample supply of commodities on the market, and the rate of increase in the price index is slowing down. The supply of production materials is moving in the right direction. Retail sales of social commodities may be 13.6 percent higher than in last year.

—Financial and credit plans have been well-executed. Guangdong's income may surpass what had been budgeted for the year. Revenue and spending are

basically in balance. Surplus bank deposits and loans are increasing, while there has been a net reduction in the amount of currency put into circulation.

—The trend toward rising investment in capital construction has been checked. The investment structure has been improved and there has been greater emphasis on key projects: more money has been put into constructing the double track between Guangzhou and Hengyang; investment in electrical power in Guangdong from January until October of this year more than tripled compared to the same period last year; and investment in transportation, and post and telecommunications has risen 27.4 percent, while investment in culture, education, and health has gone up 24.5 percent. Investments in special zone projects dropped 30 percent, and the proportion of nonproduction construction fell from 47.3 percent last year to 36.7 percent.

—The income of urban and rural residents is growing. It is predicted that the peasants' per capita income for the year is about 50 yuan more than last year and that the total amount of employee wages has grown about 13 percent. From January until November the savings deposits of urban and rural residents grew by 36.4 percent as compared to the end of last year.

—There have been new developments in education, S & T, and culture. Of the 26 key S & T projects scheduled for this year, 24 are currently being implemented; preparations are being made for implementation of 58 of the 62 projects scheduled in the "spark plan." Competition grounds, halls, and other facilities for use in the Sixth National Games were completed on schedule. The rate of natural increase in the population was lower than last year.

The main problems at present are: grain output has fallen for the past 2 years straight; the increase in electrical power is lower than the rate of growth of the total industrial and agricultural output value, so that factories do not have enough for production and home life is affected; the mix of industrial products is not responding to changing market needs, so that there is an increased oversupply of products and the turnover rate of money has been slowed down.

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CSO:4006/256

ECONOMIC STATISTICS

RULES FOR IMPLEMENTING STATISTICS LAW

OW191031 Beijing XINHUA Domestic Service in Chinese 0307 GMT 15 Feb 87

[Text] Beijing, 15 Feb (XINHUA)--Detailed rules for implementing the Statistics Law of the People's Republic of China

--Approved by the State Council on 19 January 1987

--Promulgated by the State Statistical Bureau on 15 February 1987

Chapter I: General Principles

Article 1. These detailed rules for implementation are formulated in accordance with the provisions of "The Statistics Law of the People's Republic of China [hereinafter referred to as the "Statistics Law"]

Article 2. The statistics referred to in the "Statistics Law" are those governing national economic and social development. They mainly include statistics on the population and labor forces; national wealth: agriculture, forestry, animal husbandry, fishery, and water conservancy; industry; geological surveys and prospecting; architecture; communications and transport; post and telecommunications; commerce, public catering services, and the supply, marketing, and storage of goods and materials; real estate management, public utilities, services for residents, and consulting services; public health, sports, and social welfare; education, culture, the arts, and radio, film, and television services; science research and general technical services; banking and insurance; financial administration and financial affairs; commodity prices; overall balance of the national economy; investments in fixed assets; people's livelihood; and political, legal, and civil affairs.

Article 3. State organs; social organizations; enterprises and economic organizations; and types of individual business households and joint economic organizations in urban and rural areas; enterprises and economic organizations with exclusive foreign investment, or with joint Sino-foreign investment, or under joint Sino-foreign operation within the territory of the People's Republic of China; enterprises and economic organizations with exclusive investment by Hong Kong, Macao, or Taiwan compatriots or overseas Chinese,

or with joint investment by them and Chinese, or under joint operation by them and Chinese within the territory of the People's Republic of China; Chinese enterprises and economic organizations with investment by themselves, or with joint investment, or under joint operation in Hong Kong and Macao and foreign countries shall furnish statistical data in accordance with the Statistics Law and these detailed rules for implementation, and shall refrain from submitting false data, avoid failure or refusal to submit data, postpone providing data, or alter data.

Autonomous mass organizations at the grassroots level and citizens are obliged to truthfully furnish information needed for state statistical investigations.

Article 4. The state shall equip statistical organs of the people's governments at all level with modern information technology in a planned manner and build and perfect an automatic state statistical information system. The departments concerned under the State Council shall equip themselves and the statistical organs under their jurisdiction with modern information technology in a planned manner.

Article 5. Statistical organs and statisticians shall institute a statistical work responsibility system and establish a job evaluation system and a reward and punishment system so as to incessantly improve work quality and efficiency. At the same time, they shall exercise the following functional powers according to law:

1. Statistical investigation power--they shall investigate and collect related materials, call investigative meetings, and examine all kinds of original records and evidence relevant to statistical materials. The units and personnel under investigation shall supply bona fide materials and data. They shall not refuse to do so, nor shall they make false reports or deliberately omit parts of their reports.

2. Statistical reporting power--they shall sort, collate, and analyze the materials and data obtained through statistical investigation and submit statistical reports to their leading organs at the higher level and the departments concerned. No unit or individual shall be allowed to obstruct or withhold statistical reports or tamper with statistical data.

3. Statistical supervisory power--on the basis of statistical investigation and analysis, they shall conduct statistical supervision over national economic and social development, examine the implementation of state policies and plans, evaluate economic benefits, social benefits, and work results, check and expose existing problems, examine acts of false reporting of statistical data and deliberately omitting parts of such reports, and offer suggestions for the improvement of work. The departments concerned shall promptly deal with and promptly respond to problems brought up and exposed and to suggestions made by statistical organs and personnel.

Article 6. Local people's governments at all levels, all competent departments, and all enterprises and institutions shall step up their leadership and supervision over statistical work according to the state's statistical work requirements and the needs of their respective localities, departments, and units:

1. They shall lead and support statistical organs and statisticians as well as other personnel concerned in carrying out statistics laws, regulations, and rules, in fulfilling their statistical tasks accurately and timely, and in stepping up the modernization of statistical work.
2. They shall solicit and organize statisticians to participate in meeting held to discuss pertinent policies and plans and study questions concerning economic and social development so as to give play to the role of statistical service and supervision.
3. They shall organize and conduct important general surveys on national conditions and national strength under a unified state plan.
4. They shall examine and approve statistical survey programs according to established regulations and conscientiously solve questions concerning personnel and expenses required for conducting the approved statistical surveys.

Article 7. The State Statistical Bureau and statistical organs affiliated to people's government at the county or higher level are state organs in charge of implementing and supervising the execution of the Statistics Law. They are responsible for overseeing the implementation of the Statistics Law, safeguarding the legitimate functions and powers of statistical organs and statisticians, and combating acts that run counter to statistical regulations.

Chapter II: Statistical Survey Programs and Statistical Systems

Article 8. The statistical organs and other competent departments under people's governments at the county or higher level shall establish statistical systems and draw up statistical survey programs according to the following three categories. They shall implement the systems and programs after acquiring approval from the examining organs according to regulations.

1. State statistical surveys refer to statistical surveys of the nation's basic conditions, including survey projects drawn up exclusively by the State Statistical Bureau or in cooperation with other relevant State Council departments. The State Statistical Bureau shall report all new, major survey projects to the State Council for approval; the State Council empowers the State Statistical Bureau to approve regular, ordinary survey projects.

Localities, departments, and units shall rigorously implement the State Statistical Bureau's survey plans.

The State shall conduct a survey of national conditions and strength (population, industry, agriculture, and construction and service industries) once every 10 years. Between two general surveys, a simple population census shall be carried out.

2. Departmental statistical surveys refer to trade statistical surveys conducted by the various departments. Departmental statistical survey programs and plans are drawn up by statistical organs of the competent departments in coordination with other relevant functional organs under these departments. If the targets of a survey are under the jurisdiction of a department, leaders of the department may approve the survey and report it to the State Statistical Bureau or the statistical organ affiliated to the people's government at the same level for the record. If the targets of the survey are outside the jurisdiction of the department, the department shall report it to the State Statistical Bureau or the statistical organ affiliated to the people's government at the same level for approval. More importantly, it shall report it to the State Council or the people's government at the same level for approval. The State Statistical Bureau and other competent departments of the State Council shall work out measures for assigning jurisdiction over a statistical survey to the various departments and report it to the State Council for approval and implementation.

3. Local statistical surveys refer to statistical surveys conducted by local people's governments according to local needs. Procedures for approval of local statistical survey programs and plans shall be formulated by the statistical organs of provincial, autonomous regional and municipal people's governments and reported to the State Statistical Bureau for approval.

Article 9. Departmental and local statistical surveys shall not duplicate or contradict those of the State Statistical Bureau.

Specifics regarding division of work between state, departmental, and local statistical organs shall be determined through consultation among the State Statistical Bureau, other competent departments of the State Council, and the statistical organs of provincial, autonomous regional, and municipal governments.

Article 10. Statistical information needed by overall coordination departments under people's governments at all levels shall, in general, be collected by the statistical organs and other competent departments under the people's governments at the same level. If they really need a direct statistical survey, they shall work out statistical programs and plans and, after acquiring approval, carry them out in accordance with the Statistics Law and these detailed rules.

Article 11. Statistical survey programs shall be drawn up in accordance with statistical survey projects. A statistical survey project refers to a statistical survey organized for a specific period and for a specific purpose. The plan for a survey project shall list the name of the projects; the organs executing the project; its purpose, scope, targets, methods, duration, and main contents.

In drawing up a statistical survey program, a survey plan should be worked out also for each statistical survey project. The statistical survey plan should include the following:

1. A statistical survey form and an explanatory note for use by the subjects of the survey;
2. A comprehensive report form and an explanatory note for tabulating the surveys to be submitted to higher authorities;
3. Details on the personnel and funds needed for carrying on the statistical survey and where they are to be obtained.

Article 12. The statistical organs of people's governments at all levels and those under the various departments in charge shall strictly examine the statistical survey programs and plans submitted for their examination to see if they are necessary, feasible, and scientific. Any program or plan which fails to conform to the stipulations contained in these detailed rules shall be returned for revision or disapproved. The following principles shall be observed in formulating and examining a statistical survey plan:

1. No additional surveys shall be conducted where the required data may be obtained from various statistical surveys already approved and already being carried out;
2. No comprehensive survey forms shall be distributed where a sampling survey, a selective survey of key or typical targets, or an administrative registration may serve the purpose; no regular tabulations shall be made where one single survey will satisfy the need, no quarterly tabulations where annual ones will suffice, and no monthly tabulations where quarterly ones will suffice; tabulations of statistics covering a period of less than a month shall be strictly controlled.
3. Prior to the promulgation of a new statistical survey plan its feasibility must be demonstrated either by implementing it in selected localities on a trial basis or by soliciting opinions from the localities, departments, or grassroots units concerned. We must make sure that it is practical, and must pay attention to what results can be achieved by the survey.
4. Measures shall be taken to ensure that the personnel and funds needed for a survey are available.

Article 13. The survey form for a statistical survey plan whose approval has been obtained through prescribed procedures shall carry in the upper right corner the name of the organ that produces the form, the total number of forms, the name of the organ that has approved the forms or where the forms are registered as well as approval number. All units and personnel covered by the survey shall fill out the forms accurately, in a timely manner, and without compensation.

A statistical survey form (including the survey outline used mainly for the purpose of tabulating statistical figures) shall be deemed illegal if it does not contain the information listed above. Any unit or person has the right to refuse to fill out such a form. The statistical organs of people's governments at various levels have the right to abolish it.

Article 14. Without the consent of the organ which formulated the statistical survey plan, no unit or individual shall be permitted to alter the meaning of indices, scope of survey, tabulation method, classification table, survey forms, and statistical serial numbers.

Chapter III: Management and Publication of Statistical Data

Article 15. All localities, departments, and units should perfect their statistical data examination system and guarantee the accuracy and timeliness of statistical data.

The statistical data provided by the various departments, enterprises, and institutions must be examined by the leaders or persons in charge of statistics of the respective departments or units and bear their signatures or seals before the data are submitted to higher level authorities. Statistical data concerning financial matters shall be provided by financial and accounting organs or by accounting personnel, and examined and sealed by persons in charge of finance and accounting. The statistical data provided by statistical organs of people's governments at various levels and by township or town statisticians shall be examined and signed or sealed first by the responsible persons of the respective statistical organs or township or town statisticians before they are submitted to higher level authorities.

The leaders of the various localities, departments, and units should refrain from altering the statistical data compiled by their statistical organs and statisticians in accordance with the "Statistics Law" and the statistical system. If they feel that the statistical data are incorrect, they should ask the statistical organs, statisticians, or other personnel concerned to correct them. To meet submission deadlines, statistical data prepared by statistical organs and statisticians may be submitted to higher level authorities before they are examined, in which case they must be accompanied by an explanation. If a mistake is found upon examination, the finding should be reported within the period prescribed by higher level authorities for their correction.

Article 16. Should a leading organ at some specific level require statistical data for formulating policies and plans, examining the implementation of policies and plans, appraising economic results, social benefits, or working results, or meting out rewards or punishments, it must use the statistical data signed or sealed by statistical organs or responsible statisticians in accordance with Article 12 of the "Statistics Law."

Article 17. The statistical organs of people's governments at all levels must do a good job of providing statistical data consulting services and fully provide nonclassified social and economic information to serve the public.

The State Statistical Bureau shall work in coordination with the State Administration of Commodity Prices to formulate specific procedures, in addition to the "Statistics Law" and the provisions under the current statistical system, for providing paid statistical information consulting services in conformity with relevant provisions of the state.

Article 18. All localities, departments and organizations must adhere to the "Procedures for Management of Classified Statistical Data" prepared by the State Statistical Bureau to improve the unified management of statistical data.

Article 19. All localities, departments, and organizations must establish a statistical data filing system to ensure proper safekeeping, use, and transfer of statistical data in accordance with relevant provisions of the State Bureau of Archives.

Chapter IV: Statistical Organs and Statistical Personnel

Article 20. The duties of the State Statistical Bureau are:

1. To formulate statistical work regulations, statistical work modernization plans, and state statistical survey plans in accordance with state laws, policies, and plans, to organize, direct, and coordinate statistical work throughout the country; and to inspect and supervise the implementation of statistical legislation;
2. To improve the economic accounting system and the statistical index system, to institute a unified system of basic statistical report forms, to strive alone or in cooperation with other departments concerned to set national statistical standards, and to examine and approve the statistical standards prepared by various departments;
3. To work under the unified leadership of the State Council and in conjunction with other departments concerned to organize major surveys of national conditions and national strength, and to organize the coordination of sampling surveys of urban and rural social and economic conditions in China;
4. To collect, sort out, and supply basic national statistical data to meet state needs in formulating policies and plans and carrying out administration; and to conduct statistical analyses, forecasts, and supervision of national economic and social development;
5. To examine the statistical survey programs and plans of the various departments under the State Council, and to manage the statistics compiled by them;

6. To examine, approve, manage, announce, and publish basic national statistical data, and to periodically issue statistical communiques on national economic and social development;
7. To exercise unified leadership and management over urban and rural social and economic sampling survey teams in China;
8. To organize and guide statistical science research, statistical education, statistical cadres' training, and publication of statistical publications in China; and
9. To conduct international exchanges in statistical work and statistical science.

Article 21. The duties of statistical organs of people's governments at and above the country level (including districts under cities); are:

1. To fulfill statistical survey tasks assigned by the state, to adhere to national statistical standards, and to implement the unified national system of basic statistical report forms;
2. To formulate local statistical work modernization plans and local statistical survey programs and plans, to exercise unified leadership over and coordinate local statistical work, including that of central organizations in the localities, and to inspect and supervise the implementation of statistical legislation;
3. To collect, sort out, and supply basic statistical data to meet the needs of local authorities in formulating policies and plans and exercising administration, and to conduct statistical analyses, forecasts, and supervision of the basic situation in local economic and social development;
4. To examine statistical survey programs and plans of local departments and manage the statistics compiled by local departments;
5. To examine, approve, manage, announce, and publish basic local statistical data in accordance with relevant provisions; to issue at regular intervals statistical communiques on local economic and social development in the case of statistical bureaus under provincial, autonomous regional, or municipal people's governments; and to issue statistical communiques in accordance with the decisions of city or county people's governments in the case of statistical organs under such governments;
6. To exercise unified management of local urban and rural social and economic sampling survey teams; and
7. To organize and guide local departments and organizations in improving basic statistical work; to step up statistical education, statistical cadres' training, and statistical science research; and to evaluate and reward cadres of statistical organs under local people's governments and local township [xiang 6763] and town [zhen 7977] statisticians.

Statistical organs of local people's governments at various levels are under the dual leadership of the people's governments at the respective levels and of the statistical organs of higher-level people's governments. In doing statistical work, they are mainly under the leadership of the statistical organs of the higher-level people's governments.

Article 22. Township and town statisticians perform overall statistical tasks of the township or town. Their duties are:

1. To perform statistical survey tasks assigned them by the state or local authorities, adhere to state statistical standards, implement the unified national system of basic statistical report forms, implement statistical legislation, and inspect and supervise the implementation of statistical legislation;
2. To collect, sort out, analyze, provide and manage basic statistical data of the township or town;
3. To organize and guide departments and township or town personnel in basic rural statistical work, to improve the statistical accounting system and statistical filing system of the township or town, and to organize statistical work below the township and town level.

Provincial, autonomous regional, municipal, city, and county people's governments shall create township and town statisticians and establish or improve township and town statistical information networks according to the "Statistics Law" and the needs of their statistical work. In doing statistical work, the township and town statisticians and the township and town statistical information networks are under the leadership of the statistical organs of the county people's governments.

Special persons shall be assigned by villagers' committees to take charge of the statistical work of a village under a township or town. In doing statistical work, they are under the leadership of the township or town statistician.

Article 23. The statistical organs or responsible statisticians of departments under the people's governments at various levels performs overall statistical tasks of the respective departments. Their duties are:

1. To organize, guide and coordinate statistical work of various agencies (including production, supply and marketing, capital construction, labor and personnel, financial and accounting agencies) under the departments, join them in fulfilling the statistical survey tasks assigned by the state, the departments or local authorities, implement statistical legislation, and inspect and supervise the implementation of statistical legislation;
2. To formulate statistical work modernization plans, and statistical survey programs and plans of their respective departments, organize and guide statistical work of their respective departments and of enterprises under the departments, train statistical personnel, and improve basic statistical work.

3. To submit and furnish basic statistical data of their respective departments to higher-level leading organs and to statistical organs of their respective people's governments, and to work in conjunction with the planning department and other departments concerned to conduct statistical analyses, forecasts, and supervision of the implementation of policies and plans and the management efficiency of their respective departments;
4. To manage the statistical survey results and basic statistical data released by their respective departments; and
5. To work in conjunction with the personnel and educational agencies of their respective departments in organizing and guiding the statistical education and training of statistical cadres, evaluating and rewarding statistical personnel, and stepping up statistical science research by their respective departments.

The statistical organs of people's governments at various levels shall be established according to actual needs, and in accordance with the principle of ensuring simple and efficient administration and implementing the "Statistics Law."

Article 24. To facilitate work, statistical organs under people's government at all levels and relevant departments may create statistical inspection organs or statistical inspectors within the prescribed, authorized limits. The duties of statistical inspection organs and statistical inspectors shall be as following:

1. To periodically inspect the implementation of the statistics law, statistical regulations, and the statistical system, and expose, report, or handle violations of the statistics law and these detailed rules;
2. To suggest penalties for personnel or units that have violated the statistics law and these detailed rules, and submit those that have committed offenses to the judicial organs for investigation of criminal responsibility;
3. To suggest commendations and rewards for personnel or collectives that have met the requirements stipulated in Article 30 of these detailed rules.

Statistical inspection organs and statistical inspectors shall exercise statistical inspection powers within the limits of the duties prescribed above.

Statistical inspectors shall be appointed by the statistical organs under people's governments at all levels or by relevant departments, and shall be issued a "statistical inspector's certificate." The "statistical inspector's certificate" shall have a uniform design and shall be printed by the State Statistical Bureau. In performing their duties, statistical inspectors have the power to issue a "statistical inspection inquiry." Leaders and responsible persons of units inspected should promptly and truthfully respond to the inquiry; those who refuse to answer questions shall be penalized.

Article 25. The duties of statistical organs and statisticians of enterprises and institutions that perform overall statistical functions for their respective units shall be as follows:

1. To provide guidance and exercise overall coordination in statistical work of all functioning organs of the unit and or organs subordinated to it, to work together with them in fulfilling tasks of state, departmental, and local statistical surveys, to formulate and carry out the statistical work plan and statistical system of the unit, and to implement, inspect, and supervise the enforcement of the statistics law and these detailed rules;
2. To report and furnish statistics to relevant departments and statistical organs of local people's governments and town and township statisticians according to regulations, and to conduct statistical analysis and supervision of the implementation of the unit's plan and the efficiency of its management and operations;
3. To manage the statistical survey charts and basic statistical data of the unit;
4. To work together with the relevant functioning organs in perfecting measurement and surveying system and improving original records, statistical records, and the accounting system.

Statistical organs and statisticians of enterprises and institutions shall receive guidance regarding statistical work from statistical organs of local people's governments or from town and township statisticians.

Small and medium-sized enterprises and institutions that do not have statistical personnel shall designate relevant personnel to take special charge of statistical work.

Article 26. Statisticians are administrative personnel who perform duties prescribed in the "Statistics Law" on behalf of a department or unit. Those departments or units that do not have a statistical organ shall, in general, assign professionally competent personnel to take charge of statistical work.

Article 27. All localities, departments, enterprises, and institutions shall create the post of statistician according to state regulations and work requirements.

Article 28. It is necessary to consult with the statistical organ or officials in charge of statistical work in the locality, department, or unit concerned in transferring specialized statistical personnel. Transfer of specialized personnel at and above the intermediate level shall be approved by the statistical organ at the next higher level.

Transfer of principal responsible personnel of statistical organs of local people's governments at all levels shall be approved by statistical organs of

People's governments at the next higher level. Transfer of town and township statisticians shall be approved by the statistical organ of the county people's government concerned.

It is necessary to consult with the relevant department at the next higher level and the statistical organ of the local people's government in transferring responsible personnel in charge of statistical work of a department, enterprise, or institutions.

Article 29. Statistical personnel for both newly opened and vacant positions shall, in general, be recruited from among graduates of regular universities, junior colleges, and secondary specialized schools. When recruitment has to be made from among senior middle school graduates, they shall undergo an examination and be recruited on the basis of their scores. Currently employed statistical personnel who lack professional knowledge shall undergo training and take part in an examination and be evaluated by the statistical organ concerned, which shall report on the results to the personnel department concerned. Unqualified personnel shall be demoted or transferred to other departments.

Statistical personnel who are separated or are transferred to other departments shall be succeeded by personnel capable of performing the prescribed duties, and shall brief their successors on their work.

Chapter V: Rewards and Penalties

Article 30. Statistical organs of people's governments at all levels and all relevant departments, enterprises, and institutions shall periodically evaluate and reward, according to state, enterprise, or institution regulations, statistical personnel or collectives that have fulfilled one of the following requirements:

1. Those that have made important contributions to reforming and improving the statistical system and statistical methods;
2. Those that have exemplarily accomplished prescribed statistical survey tasks by providing accurate and timely statistical data;
3. Those that have achieved fruitful innovations in statistical analysis, forecasting, and supervision.
4. Those that have scored notable results in applying and popularizing modern information technology;
5. Those that have made major contributions to improving statistical education and training, conducting statistical research, and raising the level of statistics;
6. Those that have displayed the spirit of seeking truth from facts in waging a relentless struggle against violations of the statistics law and these detailed rules.

Rewards are as follows: Issuance of an order of commendation, merit citation, great merit citation, step increase, promotion, conferment of an honorable title, and issuance of prizes or cash awards. The cash awards shall be made from appropriate funds according to state, enterprise, or institution regulations.

Article 31. Leaders or other personnel directly involved in one of the following acts, resulting in serious consequences but not constituting a crime, shall be given administrative disciplinary measures by the departments concerned:

1. Falsifying statistical data;
2. Forging or tampering with statistical data;
3. Refusing or repeatedly delaying the reporting of statistical data;
4. Obstructing statistical organs and statisticians from performing their duties as prescribed in the "Statistics Law" and these detailed rules;
5. Drawing up and distributing statistical charts without approval in violation of the "Statistics Law";
6. Publishing statistical data without verification and approval in violation of the "Statistics Law"; and
7. Violating security regulations prescribed in the "Statistics Law."

Administrative disciplinary measures are as follows: Warning, demerit, serious demerit, step reduction, demotion, removal from one's post, probation, and dismissal.

Self-employed business operators who have violated one of the items listed under 1, 2, or 3 above, resulting in serious consequences, shall be ordered to temporarily suspend their business or have their business license revoked by the industrial or commercial administrative department concerned with the approval of the people's government at and above the county level.

Article 32. Whoever disagrees with an administrative disciplinary measure as prescribed in Article 31 may appeal to a high-level organ.

Article 33. Personnel whose violation of the "Statistics Law" constitutes a crime shall be investigated by judicial organs for their criminal responsibility.

Chapter VI: Appendix

Article 34. Interpretation of these detailed rules shall be made by the State Statistical Bureau.

Article 35. These detailed rules come into force upon their promulgation.

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CSO: 4006/382

FOREIGN TRADE, INVESTMENT

GU MU SAYS OPEN POLICY HAS NOT GONE FAR ENOUGH

OW160534 Beijing XINHUA Domestic Service in Chinese 1159 GMT 14 Feb 87

[By reporter Cai Dongshi]

[Excerpts] Guangzhou, 14 Feb (XINHUA)--State Councillor Gu Mu on 12 February held a forum in Shantou City with overseas personalities from Chaozhou and Shantou. He briefed them on China's economic development and solicited their opinions. He praised overseas Chinese and compatriots in Hong Kong and Macao for their contributions to the motherland's four modernizations and to their hometowns' development. He affirmed the demand that "patriotism comes first, profits second" made by those who came back to invest in their hometowns, saying it was fair and reasonable.

Briefing them on national economic development, Gu Mu said: On my way from Guangdong via Zhuhai and Shenzhen to Shantou, a noted hometown of overseas Chinese, I saw a very encouraging scene that reflects our country's prosperity. Experience shows that our policy of opening to the outside world, reform, and stimulating the economy is correct and deeply rooted in the people's hearts. Our shortcomings are one that the opening has not gone far enough and that there are still problems in our work. If there are any changes, they will result in improvement of our work to perfect it.

Gu Mu said: Investors are welcome to invest in special economic zones and in the interior and to set up export and high-tech enterprises. We will work hard to create a favorable climate for foreign investment. The 22-article regulations promulgated by the State Council last year to encourage foreign investment have two important aspects. One is to protect foreign invested enterprises' decisionmaking power in management and operations so that they can run their companies from their own experience as they do in their home countries. Another is to protect foreign investors' legitimate earnings. In the forum, Gu Mu particularly praised the motto on the gate of a joint venture, which reads: "Patriotism comes first, profits second." He considered the words fair and reasonable. Gu Mu said: Overseas Chinese investment in the motherland is an act of patriotism and support for China's four modernizations. We hope they are successful in management and operations and profitable.

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CSO: 4006/376

FOREIGN TRADE, INVESTMENTS

GUANGDONG: SHENZHEN INDUSTRY, FOREIGN TRADE DEVELOP GREATLY

HK190333 Guangzhou Guangdong Provincial Service in Mandarin 1000 GMT 17 Dec 87

[Excerpts] This year, all aspects of the economic situation in Shenzhen City are gratifying, industrial production has increased by a wide margin, foreign trade and export have increased, and a balance of financial revenue and expenditure has been ensured.

In production, the city first improved the investment structure, cut down some investments in capital construction, and concentrated financial and material resources on the development of industry so as to guarantee that some 130 industrial enterprises throughout the city could be completed and put into operation one after another this year. At the same time, the city has vigorously readjusted the sectoral structure and laid stress on the development of marketable, convenient, and elaborate light and textile industrial products, so as to make industrial production this year increase by a wide margin. It is estimated that the gross industrial output value may reach 3.4 billion and record an increase of 27 percent over last year. Agricultural production has also increased in an all-round way. The gross output value has reached 220 million yuan, an increase of 17 percent over last year.

This year, Shenzhen City has also worked hard to run export-orientated enterprises well in order to expand export trade and has made a series of preferential policies and established reward measures to encourage enterprises to link industry with trade, agriculture with trade, and [word indistinct] with trade so as to develop exported commodities and the international market. It is estimated that the total amount of export trade this year may amount to \$670 million, an increase of 19 percent over last year. The amount of industrial products exported has accounted for over 70 percent of the total amount of exports.

Due to the development of all aspects of the economy, the balance of financial revenue and expenditure of the whole city has been ensured, and the income of foreign exchange is 14.9 percent more than last year.

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CS0: 4007/376

FOREIGN TRADE, INVESTMENT

CHINA TO SET UP EXPORT COMMODITY PRODUCTION SYSTEM

Beijing RENMIN RIBAO OVERSEAS EDITION in Chinese 3 Jan 87 p 3

[Article: "China To Accelerate Establishing Export Commodity Production System; Planning Underway for Machinery, Electrical, and Agricultural Product and Byproduct Production Bases; Preferential Treatment for Overseas Business Investment in Building Production Base Projects"]

[Text] In the past few days, reporter Zhu Xihua [2612 5045 5478] has learned from the Export Commodity Production Base Management Office, Ministry of Foreign Economic Relations and Trade, that China is currently speeding up the establishment of an export commodity production system. By now preliminary plans have already been made for national machine, electrical, and agricultural product and byproduct export commodity production bases.

An official in this office said that the state will adopt preferential policies for construction in the new bases and will increase the investment and cooperation opportunities for overseas businesses. Investment is to be primarily directed toward enterprises producing exports, with no restriction on location and type of product. Priority will be given to production base projects which require small investments, produce results quickly, and have a high rate of foreign exchange earnings from exports.

Establishing an export commodity production system will earn even more foreign exchange and bring about a balance of payments. It is reported that the great importance the Chinese Government attaches to this can be seen from Premier Zhao Ziyang's view, contained in his "Explanation of Suggestions Regarding the Formulation of the Seventh 5-Year Plan," that the production bases are "another key factor determining whether or not the Seventh 5-Year Plan can be realized." The export of machine and electrical products occupy an extremely important position in China's strategy for economic development. But currently there is a great imbalance between imports and exports. In order to actively counter this situation, in October 1985 the State Council formally approved the establishment of a national machine and electrical export production system, and also set up a Machine and Electrical Products Export Office within the State Council. It is expected that a foundation will be laid during the Seventh 5-Year Plan, improving quality and expanding exports, so that after 1990 Chinese exports of machinery and electrical products will be able to attain rapid growth. As of now, the State Council's Machine and

Electrical Products Export Office and the Ministry of Foreign Economic Relations and Trade have drawn up preliminary plans for the selection of sites and factories for certain machine and electrical products. They have already approved the establishment of 96 machine and electronic export base enterprises and handed over authority to expand foreign trade to 261 enterprises.

In March 1986, the State Council also approved the establishment of a national agricultural product and byproduct export production system. There are currently preliminary plans for the establishment of a corn export production base in Jilin, a soybean export production base in Heilongjiang, cotton export production bases in the nation's key cotton-producing areas, and, on Hainan Island, export commodity production bases for tea, black pepper, coffee, and three other typical Hainan products.

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CSO:4006/241

FOREIGN TRADE, INVESTMENT

GU MU REASSURES PEOPLE OF NO CHANGE IN OPEN POLICY

HK110841 Hong Kong TA TUNG PAO in Chinese 11 Feb 87 p 1

[Special dispatch from Shenzhen: "Gu Mu Stresses Again That Action Is More Important and Guarantees That China's Open Door Policy Will not Change"]

[Text] State Council Gu Mu today told reporters from Hong Kong and Macao that China will use action to prove that the opening up policy will not be changed.

Today, the national meeting on the work of special economic zones concluded in Shenzhen. After the meeting, Gu Mu met with some reporters from Hong Kong. He said that the meeting mainly discussed the issue of how the four special economic zones should take the lead in carrying out the open policy in the whole country and create a better investment environment, or a favorable "local environment."

Gu Mu said: The meeting also studied ways to further open up the special economic zones. For example, after strict control is exercised on the boundary between the special economic zones and other territories, the border crossing procedures for foreign businessmen will be further simplified. While the system of import and export licenses will be strictly implemented, the procedures for applying for the licenses will be simplified, and foreign investors will not need to go to Beijing to apply for such licenses, because the authorities concerned will set up offices in the special economic zones to issue the licenses. Gu Mu also affirmed that the method of conducting foreign exchange transactions by the special economic zone authorities is effective, and this method will continue to be valid. He said that some Hong Kong bankers' proposal for relaxing the control over foreign banks' activities in the special economic zones will still need more consideration.

At present, some overseas people are worried about the campaign against bourgeois liberalization in Mainland China. Gu Mu said that although some foreign businessmen may have such misgivings now, they will find that things are not as bad as they think with some time passing. It is an information age now, and foreign businessmen who visit the special economic zones will tell other overseas people what they see here. We will use our action to remove the worries of overseas people and to prove that China's policy will not change.

A reporter asked him whether foreign investment would be affected in the near future for a short time. Gu Mu smiled and said: "Now I have not seen this yet." Recently, China published the "regulations on encouraging foreign investment." Foreign businessmen are now making more contact with the mainland. Perhaps, some foreign businessmen may wait and see for some time. This does not matter. We will do a good job in running the existing projects.

Gu Mu also said: "We are not too worried about such things. We now mainly pay attention to the issue of how to better implement the regulations for encouraging foreign investment and to run the existing Chinese-foreign joint ventures better."

Gu Mu briefed the reporters about the meeting's general spirit on the further development of the special economic zones. He said: Like other special economic zones, Shenzhen will not continue to lay stress on capital construction and will not expand investment in capital construction. Stricter control will be exercised in this regard. In the future, the special economic zones will concentrate their efforts on developing production, improving economic results in industrial and agricultural production, and build an outwardly oriented economy. The meeting required all special economic zones to do a good job in this regard.

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CSO: 40006/376

FOREIGN TRADE, INVESTMENT

GUANGDONG COMPANY SUPPORTS SINO-FOREIGN VENTURES

HK160343 Hong Kong ZHONGGUO XINWEN SHE in Chinese 1508 GMT 15 Dec 87

[Text] Guangzhou, 15 Dec (XHONGGUO XINWEN SHE)--Speaking in an interview with reporters today, Chen Jian, manager of the Guangdong Finance Development Company, said that next year his company will offer savings deposits accounts in a bid to raise more development funds, and it will also support projects invested by Chinese-foreign enterprises and import new technology in cooperation with its counterparts in other provinces.

The company, since its founding 2 years ago, has made a total investment of at least 200 million yuan in introducing new technology, new equipment, new craftsmanship, new products, and projects which can earn more foreign exchange.

For example, the Huameijia (Zhongshan) Spray Products Company Limited with a capital of US\$8 million and the Sino-Japanese Textile Company limited with a capital of US\$4.3 million--two Chinese-foreign enterprises--have both been set up with the support of the Guangdong Finance Development Company. The company has also planned to open one fruit juice factory and one high-quality cosmetics company in cooperation with the U.S. Pacific Enterprise Limited.

The Guangdong Finance Development Company has also granted long-term loans to many factories such as the Heshan knitters factory, the Chaozhou City glazed colored brick factory, the Shantou sensitive materials factory, the Yangjiang automotive electrical equipment plant, the Huizhou non-alcoholic beer and beverage factory, and the Chaozhou City No 2 electrostatic flocked flannelette factory. Products of these factories have filled the gaps in the domestic market and have fairly strong competitive power in world markets. They include spray products, non-alcoholic beer, lead foilpacking paper, electrostatic flocked flannelette, car air-conditioning equipment and high-brightness fluorescent indicators.

It is estimated that Guangdong Province will increase its output value by more than 800 million yuan and foreign exchange by US\$5.3 million through export after 91 projects financed by the Guangdong Finance Development Company are put into production next year.

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CSO: 4006/376

FOREIGN TRADE, INVESTMENT

JINGJIXUE ZHOUBAO ON LIGHT, TEXTILE GOODS EXPORT

HK160100 Beijing JINGJIXUE ZHOUBAO in Chinese 25 Jan 87 p 3

[Article by Liu Huiming (0491 1920 2492): "The International Challenge To and Counter Policies for Expanding Light and Textile Goods Export"]

[Text] To actively expand light and textile goods export is the focus of the work of earning foreign exchange through export during the Seventh 5-Year Plan. We are now facing the serious challenge of the world economic and trade situation in this respect and need to study and formulate explicit counter policies in studying and formulating our export development strategy.

1. The shift of strategy of the advanced countries will hinder the developing countries from expanding the export of labor-intensive products. The reason the developing countries want to utilize their advantage of cheap labor to develop the export of labor-intensive products is because they have a large number of traditional industries with high labor consumption rate and poor capability of carrying out technological transformation. At present, because the long-standing stagnant inflation and the co-occurrence of unemployment and inflation are seriously threatening the economic growth and political stability of the advanced countries, the advanced countries are forced to reconsider their traditional economic development strategy and formulate a new economic development strategy and are trying to replace the traditional development strategy stressing the highest output value with the adaptation development strategy which stresses meeting the basic needs of the people, and are beginning to adopt measures to protect and invigorate their own traditional processing industries and minimize, slow down, and restrict the transfer of labor-intensive industries from the advanced countries to the developing countries to hinder the developing countries from expanding the export of their labor-intensive industrial products.

2. The application of the achievements of the new technological revolution will bring about great changes in the traditional processing industries.

The popularization and application of the achievements of the new technological revolution will weaken the developing countries' superiority in labor-intensive industries. Promoted by the new technological revolution, the development of the industrial automation of the advanced countries is now changing the

characteristics of labor-intensive industries. The progress of industrial automation will enable more capital to go into the labor-intensive industries. The reduction of the proportion of the expenditure on labor in the production cost and the extensive application of robots will be a new challenge to the labor wages. For example, the automatic welder on the Japanese television assembly line can replace 10 workers, thus remedying Japan's defect of excessively high labor wages. The clothing industry belongs to the typical labor-intensive industry. However, the use of computers to raise labor productivity is being gradually popularized. Development of the automation of the clothing industry will bring about major technical changes within the next 10 years and will turn this typical labor-intensive industry into a knowledge- and technology-intensive industry. Such a development tendency also exists in other labor-intensive industries. In the meantime, the popularization and application of the achievements of the new technological revolution will offset the advanced countries' defect of labor shortage and excessively high labor wages and provide favorable conditions for the adoption of a new economic development strategy. All these factors have increasingly minimized the market of labor-intensive industrial products and made the competition among labor-intensive industrial products become increasingly keen.

3. The contention for funds and technology between the developing countries has become increasingly keen.

The relative advantage of the majority of developing countries is their rich natural resources and cheap labor. As a result, the developing countries have similar goals for their respective economic development and similar goals for exports as well. And nearly all the developing countries rely on this advantage to sharply contend with one another for technology and funds in order to transform and arm their own traditional industries at the time when the advanced countries and some developing industrialized countries are transferring the labor-intensive industries to the developing countries. The developing countries have also formulated the development strategy stressing the production of substitutes for exports and the export of labor-intensive industrial products in an effort to change their present position in the international distribution. While expanding their exports, all the developing countries are trying to import more advanced foreign technology and equipment to raise their own industrial standard and participate in the international distribution from a higher level. Because the developing countries share similar goals for economic development, the competition among them has increased, which in turn has increased the choices of the developed countries and raised the cost of the developing countries' importation of foreign funds and advanced foreign technology.

4. International trade protectionism has run wild and more restrictions on import quotas have been imposed.

In earning foreign exchange through the export of light and textile industrial products, the export of textile and clothing industrial products forms the

main part, accounting for over 60 percent of the total export volume of the light and textile industries. The world main textile markets are centered in the advanced industrial countries. In the international trade, the textile products are of higher sensitivity. As far as the future development is concerned, the world textile markets are expected to shrink. All the textile product exporting countries are trying to increase their own export volumes within the limited trade quotas while the textile product importing countries, especially some advanced countries, have all imposed strict quotas on their own textile imports. The countries whose textile exports are not restricted by certain quotas are few, and nearly no countries in the world are not restricted in their textile exports now.

Because of the serious challenge of the development trend of the world economy and trade, the task of further expanding the export of light and textile products is arduous. We must therefore adopt effective measures to accomplish this task. In the future, whether we will be able to continue to expand the export of light and textile industrial products and take the expansion of the export of light and textile industrial products as our development strategy depends on the prices at which we will export our products. Although the labor-intensive industries are facing the challenge jointly formed by the popularization and application of new scientific and technological achievements and international trade protectionism, and although the obstruction to the further expansion of the export of light and textile industrial products is strong, if we greatly and rapidly carry out the technological transformation of our traditional industries and increase the labor productivity of our traditional industries, our country's light and textile products will still be able to maintain a certain degree of superiority on the world market despite the decrease of the proportion of these products in the total number of our country's export-oriented products.

According to the analysis of the investigation report of the World Bank, no matter what the increase rate of the export of our country's industrial products might be, within the next 20 years, great changes will take place in our country's export-oriented industrial product mix. Our country's export of textile and clothing industrial products has enabled many countries to begin to build export-oriented industries. This is also the key factor for the rapid increase of the export of our country's industrial products in recent years. Although it is difficult to predict the speed of the popularization and application of new technology, thanks to the great potential and cheap labor of our country's agricultural production, for the next few years, our country's export of textile and clothing industrial products will still maintain an obvious superiority in the world and will probably find more markets in the world, thus enabling our country to further improve its product quality and earn more foreign exchange by developing its export.

However, because the world high technology is being transferred to and applied by the traditional industries, we must restudy and select our own foreign trade development strategy. While actively expanding the export of labor-intensive industrial products, we must also develop the fund-intensive and technology-intensive industries. We should organically integrate the

export of labor-intensive industrial products with the export of fund-intensive and technology-intensive industrial products in time and space. Therefore, our strategy and counter policies for the development of our country's export of labor-intensive industrial products should be that within the last 15 years of this century, before the new technological achievements are widely applied in the traditional industries, we must try our best to create a sound investment environment, import more advanced foreign technology, accelerate the equipment renewal and technological transformation of the traditional labor-intensive industries of our country within the next 5 years--namely, within the Seventh 5-Year Plan--to enable our country to greatly expand its export of labor-intensive industrial products within the last 10 years of this century, thus providing a solid material basis and technological guarantee for the realization of the shift in our country's foreign trade development strategy in the next century and realization of the two shifts in our country's foreign trade proposed by the CPC Central Committee in its proposal on the Seventh 5-Year Plan.

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FOREIGN TRADE, INVESTMENT

MINISTER OF TEXTILES ON EXPANDING CLOTHING EXPORTS

Beijing RENMIN RIBAO in Chinese 23 Dec 86 p 2

[Article by Li Anding [2621 1344 1353], XINHUA News Agency reporter, and Mo Xinyuan [5459 2450 0337], staff reporter: "Opening Remarks by Minister of Textiles"]

[Excerpt] Minister Wu Wenying [0702 2429 5391] gave meticulous care to the preparation of her opening speech [at the third meeting of Hualian Company's board of directors held Feb 16 in Shenzhen] Attending this board of directors meeting of the Hualian Co were the secretaries of 18 provincial and municipal textile departments and leading comrades from related organizations. A main topic discussed at the meeting was how to further expand China's textile exports. Minister Wu asked, "What is missing in our textile exports? The main thing is that we do not do enough multiple-processing. Clothing accounts for 60 percent of South Korea's and Taiwan's textile exports, and in Hong Kong it is even higher, 85 percent. But for us it is only about 40 percent. Most of their clothing exports are medium to high quality, mostly fashionable clothing, whereas the clothing we export is mostly medium to low quality, with most of it falling into three categories: pajamas, shirts, and work clothing. Recently the State Council decided to give control over clothing to the Textiles Ministry. The purpose of this is to link cloth and clothing into one management system, with clothing being the most important element. This should increase the extent of processing of China's textiles and expand exports."

In order to strengthen the perceptual awareness of clothing among the "old millhands" at the meeting, Minister Wu also scheduled a special program for the meeting: she invited the young women's clothing designer Li Yanping [2621 5333 5493] to put on a fashion show. The stage was set in the large hall at the place where those attending the meeting were living. Although there was not a complete sound system and colored lighting, the atmosphere was just right. A girl came walking out wearing a rainbow-like cheongsam. On the front of the cheongsam were the words "the sinking cloud and the lonely duck fly together," written in a calligraphic style filled with verve and ease. Her appearance aroused warm applause from everyone present. While watching the show, Minister Wu discussed her own impressions with great enthusiasm. She said that during her visit to England in October this year, she saw one shop which also sold necklaces and stockings to match its fashions. "They were not

inflexibly coordinating clothing and accessories, but were rather trying to provide the customer with the best selection." The minister's thoughts continued in this vein, stating that those who deal with clothing should have a sense of what goes together. First, the design of clothing patterns should be linked to the design of cloth. In addition, we should improve the quality of clothing by using the lateral integration of special factories and designated workshops to coordinate the design of buttons, zippers, jewelry, satchels, and other clothing accessories.

Leaving the meeting, Minister Wu visited many clothing factories in Shenzhen and Zhuhai. They all primarily process clothing for export. A striking characteristic of these factories, as compared with clothing factories in the interior, is that they produce a large variety of products in small batches. The exhibition room of a silk clothing factory in the Shekou Industrial Zone contained a dazzling array of silk clothing. Along with praise, one comrade in the party expressed the worry that, regrettable as it may be, there was no way that anyone could wear such clothing in the interior. Minister Wu immediately laughed and told him, "It seems that you are more conservative than I; I think that this clothing could be worn in most places in the interior. The clothing industry must dispel these old ideas, encourage innovation, and create new and different styles. Don't the theorists in literature and the arts have the slogan 'let 100 schools of thought contend'? Those of us in the clothing industry should also promote a slogan, 'Let 100 flowers vie to be the most beautiful.' If we do not have 100 flowers competing with each other, we won't be able to have a garden filled with all the colors of spring!" On the evening before her return to Beijing, Minister Wu deliberately made time available to visit Guangzhou's night market for clothing. Minister Wu strolled through the hubbub of this sea of clothing, carefully examining the products and asking about the prices. When she learned that the woman's pullover she was holding actually cost 75 yuan, she had to stop and figure out what was going on. She explained, "This pullover is made from very ordinary material, so what they are selling is really the style." Upon her return to where she was staying, Minister Wu explained her deeply held feelings: "The key to clothing is style. In modern society, the period of time that one style remains fashionable is becoming shorter and shorter. Overseas, the price for a well-styled item of clothing can be several times or several dozen times higher than a less fashionable item of the same quality."

The State Council decided a short time ago that the clothing industry should come under the leadership of the Textiles Ministry. The clothing industry is closely watching the actions of its new "mother-in-law." People are also looking forward to new developments in the clothing industry. Now that Minister Wu Wenying has accepted this new responsibility, her "dramatic pose" is naturally being regarded by everyone as her "stage prologue."

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FOREIGN TRADE, INVESTMENT

CONTRACTS SIGNED IN BEIJING TRADE TALKS

Beijing JINGJI RIBAO in Chinese 29 Nov 86 p 1

[Article by reporter Yang Jie [2799 3381]: "More Than \$400 Million of Contracts Signed in 3 Days; Conclusion of First Beijing Foreign Economic and Technical Cooperation Talks"]

[Text] In 3 days of discussion at Beijing Municipality's first Foreign Economic and Technical Cooperation Talks, which opened on 26 November, concerned parties and foreign investors signed 15 formal contracts and 1 general agreement on joint management. The value of investments agreed upon in these 16 deals is \$441 million.

A responsible person in the Beijing Municipal Foreign Economic Relations and Trade Commission explained that among these 16 agreements were some which will have a significant impact on social and economic development in the capital, as well as "short, level, and speedy" projects which will produce results quickly in a short period of time. Among the former is the Beijing Municipality Coal Gasification project, done in cooperation between the Capital Iron and Steel Co and Italy's Si-Ti-Pu [2448 2748 2528] Co. When it enters production, it will be able to supply coal gas to 500,000 to 600,000 consumer households. This will have a major impact on improving the mix of fuels used in Beijing. An example of the latter is the Jing-Ri Food Co Ltd, a joint venture of the Beijing Municipal Food Production Co and Japan's Tokyo Kokusai Boeki Kabushiki Kaisha. Its products will primarily be Beijing specialty foods, which will mainly be exported to Japan.

According to explanations, more than 300 businessmen representing 94 firms from the continents of Asia, Europe, Australia, and America attended the talks. Concerned departments from Beijing Municipality discussed 161 projects with the visiting businessmen. Mutual intention to cooperate was reached on 108 projects, 67 percent of the total number of projects. These projects involve food products, building materials, Chinese and Western drugs, automobile spare parts, machinery, animal husbandry, and farming. Many of these projects are urgently needed for Beijing's economic development. In response to these results, Chen Xitong [7115 1585 0681], mayor of Beijing, happily told this reporter that these talks demonstrate the interest and enthusiasm of foreign businesses for investing in Beijing. While we are bringing in foreign funds, we are also replacing concepts. From now on Beijing

should have this such talks every year, and if conditions permit, we could have them two or three times a year.

The chairman of Beijing's Planning Committee, Wang Jun [3769 6511], told this reporter that for the next few years, Beijing will continue to concentrate its forces on hastening the development of facilities for water supply, electricity, coal gas, heating power, post and telecommunications, transportation, and tourism. This will further improve the climate for investment. During the Seventh 5-Year Plan, the city plans to install new electrical generators with a capacity of almost 1 million kW, continue to add on to the subway, and develop high-speed rail transport. In regard to the post and telecommunications, it will enlarge the telephone capacity within the city, adding 300,000 new telephone switches in the city; build an international telephone office; and add 11,000 long-distance telephone circuits. Construction of tourist facilities will concentrate on completing the more than 40 joint-venture hotels on which contracts have been formally signed. When completed, the foreign friends who come back for trade talks will be able to enjoy even more comfortable conditions and better service.

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FOREIGN TRADE, INVESTMENT

BRIEFS

'NO CHANGE' IN OPEN POLICY--State Councillor Gu Mu met yesterday afternoon with domestic and overseas guests attending Shantou City's first spring festival get-together at the Shantou special economic zone management committee building. Chatting with them, he stressed that the central personnel reshuffle will not affect China's policy of opening up, reform, and invigoration. The policy of opening up to the world must continue to develop in depth and breadth. The special economic zones should create still better conditions for foreign investors. Gu Mu pointed out: We must ensure the decisionmaking powers of enterprises operated by foreign investment. We should ensure that foreign businessmen who come to invest in China can manage their enterprises in line with their own experiences, as they do when investing in other countries and regions. We must also ensure the legitimate interests of such enterprises. For overseas Chinese compatriots to be concerned for the motherland's four modernizations and invest in running factories for China is an expression of patriotism. We hope that the undertakings they run can come to fruition and make money for them. [Text] [Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 13 Feb 87 HK] /6662

JILIN PREFERENTIAL TREATMENT TO EXPORTS--In order to further encourage the industrial and mining enterprises to produce export commodities and to enhance their capability (?in earning foreign exchange), the provincial People's Government recently put forward temporary provisions in line with the relevant guideline issued by the State Council on encouraging enterprises to produce export commodities and to earn more foreign exchanges through exports and according to the province's actual situation. The provisions have readjusted the proportion of the government's foreign exchange retentions earned through exports. The province has decided to return all of its foreign exchanges retentions earned through exporting machinery and electric commodities to the enterprises, and to return its 60-percent foreign exchange retentions earned by other industrial and mining enterprises. The province has also decided to give up its foreign exchange retentions earned by the key provincial level enterprises and to have the provincial economic and trade departments return all of their foreign exchange retentions earned through exporting commodities produced by the outside enterprises. [Text] [Changchun Jilin Provincial Service in Mandarin 2200 GMT 6 Jan 87 SK] /6662

CSO: 4006/376

ECONOMIC ZONES

ECONOMIC DEVELOPMENT ZONES MAKE PROGRESS IN 1986

Beijing RENMIN RIBAO in Chinese 3 Jan 87 p 3

[XINHUA report, Beijing: "China's Coastal EDZ's Become Increasingly Attractive; Taking Advantage of Excellent Natural Conditions, Perfecting Investment Conditions; 100 Foreign Investment Contracts Signed By End of October"]

[Text] Our reporter has learned from the National Statistics Bureau that 1 million square meters of building construction was completed in 1986 in the EDZ's in China's coastal open cities. This was a 70 percent increase over the 1985. Investments worth somewhat more than 400 million yuan were completed, more than 40 percent above the previous year's figure.

Capital construction—roads, communications, water, electricity, heating, and other projects—in the various EDZ's has basically been completed by now and the facilities are in use. Each EDZ has started to enter the stage of industrial production.

In 1984 China opened up 14 coastal coastal cities to the outside. Since 1985 12 of these cities (all except Wenzhou and Beihai) have in succession established various kinds of EDZ's. The total area planned for the EDZ's is 117.15 square km, with 23.89 square km to be developed in the initial stage. Foreign investors are to be given more preferential treatment and more services within the EDZ's.

According to explanations, each EDZ is working hard to perfect the investment environment. At the same time, the EDZ's are hastening development of the legal system and implementation of various preferential measures. In over a year since the establishment of its EDZ, Tianjin has formulated and promulgated 14 sets of EDZ rules and regulations, including "Management Regulations for the Tianjin Economic and Technical Development Zone." Overseas investors have welcomed these rules and regulations, which clearly spell out the rights and duties of joint ventures and protect the legal rights and interests of investors.

Due to the increasing improvement of the investment conditions in the EDZ's, more and more foreign businessmen have been drawn to discuss investments. Many foreign firms have decided to add to previous investments and expand the scale of business. By October 1986, the various EDZ's had signed 180 contracts, including 100 projects receiving funds.

The main emphasis in the coastal cities' EDZ's for the near future will be to develop construction materials, foodstuffs, everyday consumer goods, machinery and electrical goods, electronic products, medical and health products, precision-made chemical products, and high-level technical items such as microbiological engineering, microelectronics, new energy sources, and optical communications.

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ECONOMIC ZONES

NEI MONGGOL ESTABLISHES ECONOMIC ZONE IN EASTERN AREA

SK070825 Hohhot Nei Monggol Regional Service in Mandarin 1100 GMT 6 Jan 87

[Text] The eastern areas of the autonomous region, including Chifeng City, Jirem League, Xingan League, Hulun Buir League, and Xilin Gol League, have officially formed an economic cooperative zone. At the end of 1986, the city and the leagues held their first meeting to discuss their cooperative projects in Hulun Buir League, where they approved and signed an agreement on economic cooperation.

The city and leagues in eastern Nei Monggol have abundant natural material resources and stronger economic potential and they have played a decisive role in developing the economy of the region. Therefore, they have organized a transregional and open economic cooperative organization in line with the principle of equality, volunteerism, mutual supplement, mutual benefit, and mutual development to achieve extensive cooperation in the economy and to bring into full play their comprehensive strong points in animal husbandry, forestry, agriculture, and mining projects in line with the strategic emphasis of vigorously planting trees and grass to develop animal husbandry.

Major projects in the agreement signed by the city and the leagues on economic cooperations are as follows:

1. According to their strong points in natural material resources and their financial resources, the city and leagues should conduct cooperative development among the projects whose joint-development conditions allow so as to turn their material strong points into commodities as soon as possible.
2. Efforts should be made to vigorously push or accelerate the pace of building pastoral areas and to conduct economic and technical cooperation in improving the strains of animals, preventing and controlling animal diseases, and conducting the production of milk, herbal medicines, wool, animal by-products, and fodder processing.
3. Efforts should be made to organize a new style of enterprise complex and enterprise production network with the main production being of famous trademark and fine-quality products to emerge in the city and the leagues and with the production centers of backbone enterprises to promote the joint

development of new products and to upgrade their capability of earning foreign exchange by exports.

4. Efforts should be made to create conditions to take joint action in developing border and small-scale trading activities and conduct economic and technical exchanges with foreign countries at the border cities of Erenhot and Manzhouli.

5. According to needs that crop up in developing their economy, it is necessary for the city and the leagues to actively conduct the exchange of talented personnel, technology, and information.

6. Efforts should be made to enliven the channels of commodity circulation and to mutually open tertiary industries by conducting bilateral and multi-lateral trade among them, opening joint-venture business, holding exhibition sales, and mutually establishing sales centers.

7. Efforts should be made to coordinate work to promote the development of projects in communications, transportation, and tourism.

8. According to needs that crop up in developing their economy, the city and the leagues should conduct coordination in material supply and fund utilization.

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FINANCE, BANKING

SHANGHAI'S ROLE AS ASIAN FINANCIAL CENTER

Hong Kong CHING-CHI TAO-PAO [ECONOMIC REPORTER] in Chinese No 47, 24 Nov 86 p 33

[Article by staff special correspondent Gao Xiaoxiao [7559 5135 4562]:

"Shanghai Gradually Becoming a Financial Center of the East; Greater Variety of Channels for Attraction of Foreign Funds"]

[Text] The pace of attracting foreign funds is increasing in Shanghai. More than \$1.7 billion has been attracted so far. Over the years, 450 projects have used foreign funds; this includes more than 200 Sino-foreign joint ventures, Sino-foreign contractual joint ventures, and wholly foreign-owned ventures, almost 100 of which have begun to operate. In addition to attracting direct investment from foreign firms, some have also directly sought funds from international financial markets, including loans from the World Bank, issuing bonds overseas, and attracting international commercial loans. These activities have provided Shanghai with a greater variety of channels for attracting foreign funds.

In recent years, many famous international banks have been actively raising funds overseas for development projects in Shanghai. More than 20 of these have set up branches and offices in Shanghai. The Standard Chartered Bank and the Hong Kong and Shanghai Banking Corp, for example, have set up branches in Shanghai. The Japanese Bank of Tokyo, the Industrial Bank of Japan, Sanwa Bank, Mitsui Bank, and the Toyo Trust and Banking Co; the French Banque National de Paris, Societe Generale, Banque Paribas, and Banque Indosuez; and the Huaqi [5363 2475] Bank of the U.S. have established offices in Shanghai. The main activity of these offices in Shanghai is to develop financial services for the main office and to find funds for development in Shanghai; they also serve to understand market conditions and to transmit information.

International financial circles are glad to raise funds for development projects in Shanghai, so that foreign investment in Shanghai has reached a new stage, expanding from direct investment by foreign firms to indirect investments: namely, foreign banks putting money into Shanghai in the form of loans. In the past few years the Shanghai branch of the Bank of Shanghai, seeking project loans, has raised 13.6 billion yen from the Japanese Mitsui Bank and Bank of Tokyo for the Ruijin Building and the Asia Hotel in Shanghai. In addition, it has raised a very large sum of foreign exchange, more than \$160 million, from the American Manufacturers Hanover Trust Co, the Industrial

Bank of Japan, and the Bank of Tokyo for the Pacific Hotel, the Yangtze Restaurant, the Jinlunwenhua Restaurant, and the International Trade Center.

Another method of raising money on international financial markets is for the Shanghai branch of the Bank of China to provide guarantees and organize syndicated loans from foreign banks. The Jing'an Hilton Hotel, now under construction, received \$85 million of loans in this fashion. In the first half of this year, the Shanghai branch took the lead in getting 19 banks in 8 countries or regions overseas to participate in a consortium loan: the enormous sum of \$145 million has been brought in for the north building of the Shanghai Exhibition Center.

Among the new ways to use foreign funds is to borrow money from foreign banks and then transfer the loan to enterprises. In order to support the growth of Chinese-foreign joint ventures, the Shanghai branch of the Bank of China has overcome the difficulties in procuring foreign exchange and provided \$86 million in foreign exchange loans to 49 joint ventures in Shanghai. This has helped to lessen the production difficulties of these ventures.

Many foreign banks are also directly participating in investments. The Japanese Toyo Trust Bank, for example, has participated in investments made by the United Leasing Co Ltd, while the Long-Term Credit Bank of Japan has joined in the investment by the Pacific Leasing Co Ltd. In particular, at the beginning of this year the Shanghai Investment Trust Co commissioned several Japanese banks and securities firms to issue 25 billion yen of bonds in Japan. This effort has been very successful.

Not long ago the State Council gave approval for the Shanghai Municipality to raise funds on international financial markets; Shanghai will be responsible for raising the money, borrowing, choosing the lenders, and profits or losses. This will make it even easier for Shanghai to attract foreign funds. Shanghai is actively seeking funds from international financial markets, and already entrepreneurs and financiers from many countries have come to Shanghai for talks. Money raised will be primarily channeled into improving the city's infrastructure, such as constructing a subway and the Huangpu Jiang bridge, expanding Hongqiao Airport, centralized treatment of sewage from city districts, and expanding telephone and telecommunication services. The funds will also be used to accelerate the technical transformation of industry and agriculture, strengthen the capacity for earning foreign exchange through exports and import substitution; develop tourism and the service industry, and develop new areas, including the two economic and technical development zones, Minhang and Hongqiao, and Caohejing, Pudong, Jiading, and Chongmingdao.

After increasing the variety of ways for attracting foreign funds, Shanghai will increasingly use international funds. The change in fund sources will certainly induce changes in management methods and will definitely tightly link Shanghai's own economic development to international markets. It will also attract even more international financiers willing to raise money for Shanghai, gradually making Shanghai into a new financial center of the East.

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FINANCE, BANKING

BIG TURNOVER REPORTED IN WUHAN CAPITAL MARKET

HK160322 Beijing CHINA DAILY in English 16 Dec 86 p 2

[Article by staff reporter]

[Text] The Wuhan capital market, the biggest of its kind in the country, has seen brisk business since it began operation a month ago, according to a bank official.

From late October to the middle of this month, in seven business days, the market handled capital transactions totalling 1.8 billion yuan (\$486 million), Wang Zhiqing, vice president of the People's Bank of China [PBC], Wuhan Branch, told CHINA DAILY in an interview.

The market, set up as an experiment to facilitate capital flow, has business links not only with all banks in Hubei Province, but also with banks and major enterprises in Central China and all major cities along the Yangtze River, Wang said.

Every Friday when the market opens, bankers, financiers, entrepreneurs, and businessmen swarm to Wuhan. The market's customers also include, at times, those from Beijing and north China.

"Those who are too far from Wuhan participate in transactions by letter," Wang said.

"Even an American teacher at Wuhan University has asked for permission to participate in transactions at the market," he said.

The market run by the PBC Wuhan Branch, mainly handles inter-bank funds transfers, bill discounting, and loans.

"It benefits almost all customers," Wang said. "Lenders can get interest of 6.9 percent for their excessive money, while borrowers can have their fund shortages assuaged."

The success of the market has drawn wide attention and appreciation across the country. Wang said that the heads of banks and financial institutions in all 15 cities designated by the State to pioneer the country's urban economic

restructuring will gather in Wuhan this month to discuss how to further promote financial reforms in their own regions.

In October, the presidents of PBC branches in 27 cities along the Yangtze River, including Shanghai and Chongqing, met in Wuhan and set up a financial network. Well-informed local sources said another financial network, which will group all the major cities along the railway running from Beijing to Guangzhou via Wuhan, will be set up soon in this capital city of Hubei Province.

With its favorable location in Central China, Wuhan may become one of the country's leading financial centers in the near future, financial experts in Beijing have predicted.

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CSO: 4020/121

INDUSTRY

BEIJING RADIO URGES LOWER MATERIAL CONSUMPTION

OW230505 Beijing Domestic Service in Mandarin 2230 GMT 22 Feb 87

[Station commentator's article: "Learn To Reduce Consumption of Raw Materials To Achieve Better Economic Results"]

[Text] Consuming too much raw material has always been a major problem in our country's industrial production. What merits our attention is that, at the mention of increased production, many factory directors or managers today still habitually ask for funds and materials from the state, instead of trying to reduce consumption of raw materials to achieve better economic results.

As everyone knows, the lower the consumption of raw materials in industrial production, the higher the economic results. Take our country's machinebuilding industry for example. The consumption of raw materials accounts for about 70 percent of the cost of such products. This implies that the machinebuilding industry can save about 500 million yuan by reducing consumption of raw materials by 1 percent.

Take the production of pig iron for example. On the average, major metallurgical enterprises across the country produced 1 metric ton of iron by consuming 556 kilograms of coke in 1986. The lowest consumption of coke for the production of 1 metric ton of iron was 509 kilograms, and the highest was 687 kilograms. In 1984, however, Japan consumed 487 kilograms of coke to produce 1 metric ton of iron.

What do the two examples mean? They mean that every percentage point in the consumption of raw materials is wasted wealth, and that there is great potential for lowering raw material consumption in our country.

Therefore, to make full use of existing conditions and achieve better economic results by lowering consumption of raw materials should be an important way to develop industrial production. Engaging in production, without taking cost and consumption of raw materials into account, simply cannot continue.

Is it possible to lower consumption of raw materials in industrial production? The answer is affirmative. The key to doing so lies in strengthening enterprise management. An expert, engaged in economic work for many years,

said figuratively: Many of our enterprises are like towels soaked in water; when they are wrung, economic results will come out like water. The process of wringing water from the towels is one of strengthening enterprise management.

All types of enterprises now must observe a basic principle of management in consumption of raw materials--they must pay close attention to their quotas and business accounts, as well as rewards and punishments, and try, in every possible way, to eliminate unnecessary consumption of raw materials.

The State Council this year called on all industrial production departments to reduce their raw material consumption by 2 percent. It should be said that, as far as our country's industrial potential is concerned, this goal can assuredly be achieved.

We hope that factory directors or managers across the country will always keep this goal in mind, regarding it as an important task in practicing economy this year, gradually learn to achieve better economic results by reducing consumption of raw materials, and strive to create the greatest possible material wealth with the least consumption of raw materials.

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CSO: 4006/382

INDUSTRY

DEMAND FOR MOTOR VEHICLES TO INCREASE IN 1987

HK201142 Hong Kong ZHONGGUO XINWEN SHE in Chinese 0331 GMT 13 Feb 87

[Report: "China's Demand for Motor Vehicles Will Increase This Year"]

[Text] Beijing, 13 Feb (XHONGGUO XINWEN SHE)--According to information provided by the China Vehicle Sales and Service Company, since the beginning of last year, along with China's control over the import of vehicles and compulsory scrapping of old vehicles, general demand on China's vehicle market this year will increase, but the contradiction between supply and demand in variety and quality of vehicles should not be ignored.

In the next few years, China will compulsorily scrap some 610,000 old vehicles. This year the China Motor Vehicle Industry Company will put 6 new types of motor vehicle and some 30 types of modified motor vehicles on the market.

The total supply of motor vehicles on China's market this year will reach some 600,000, and total domestic demand will be about 450,000. Supply will exceed demand overall. In terms of variety, jeeps and limousines will be very popular, with a large market demand and supplies falling short of demand. Due to state control over the purchase of buses and coaches, their sales volumes will remain last year's levels. There will not be great changes in the supply and demand for small vehicles on the market, but competition will become more fierce in price, quality, supply, and after-sales service. Medium-sized vehicles still have a market, but competition will focus on quality. There is a large market for specialized and modified vehicles and the market needs to be further opened up. Fire trucks, ambulances, cold storage trucks, oil tankers, police cars, and bee-breeding trucks will be marketable.

The supply and demand for vehicle spare parts on the market maintain the same level as last year, with production ability exceeding demand. According to the State Statistics Bureau, the total output value of vehicle spare parts in 1986 reached some 6.4 billion yuan, much higher than the demand of 2 billion yuan. Along with the implementation of the policy of replacing old vehicles with new ones and scrapping old vehicles, total demand for vehicle spare parts will be reduced. Therefore, competition will become more fierce on the vehicle spare parts market and it is necessary to pay attention to the quality of spare parts.

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CSO: 4006/382

AGRICULTURE

WORLD BANK LOANS USED FOR SOIL IMPROVEMENT

OW190814 Beijing XINHUA in English 0649 GMT 19 Dec 86

[Text] Jinan, 19 December (XINHUA)--North China's Shandong Province has used loans from the World Bank to improve 100,000 hectares of saline-alkali soil, resulting in increased yields, according to a provincial official today.

"The World Bank has granted \$30 million in long-term interest-free loans since June 1982 to be used in the province," an official of the provincial agricultural bureau reported.

Using the loans, three counties in Shandong, Qihe, Lingxian, and Yucheng, dug more than 3,400 kilometers of irrigation canals, built 3,600 water conservation projects, including bridges and culvert gates, implemented 2,000 motor-pumped wells, and bought 8,800 pieces of farm machinery and 32,000 tons of chemical fertilizer.

As a result, the irrigation area has been expanded to 24,600 hectares, waterlogged soil has been brought under control, increasing arable land from 29,000 to 66,000 hectares, and saline-alkali land was reduced to 23,000 hectares.

With soil fertility improved, the grain output in these three counties increased 60 percent, and cotton production was raised 82 percent from 1982 to 1985. Since the improvement projects have begun, average per capita net income for farmers in the area more than doubled.

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CSO: 4020/122

AGRICULTURE

PEASANTS' INCOME 424 YUAN, GROWING STEADILY

OW221515 Beijing XINHUA in English 1446 GMT 22 Feb 87

["Chinese Peasants' Income Up" -- XINHUA headline]

[Text] Beijing, 22 February (XINHUA)--After several years of hectic growth, the income of Chinese peasants has begun a period of steady growth.

According to the latest figures provided by the State Statistics Bureau, the annual net income of Chinese peasants last year averaged 424 yuan, 6.7 percent more than the previous year. The rate of increase was 5.2 percent lower than that of 1985, and 10.2 percent lower than the average annual growth between 1979 and 1985.

A sample survey of 66,916 rural households in 29 provinces, municipalities, and autonomous regions showed that the seven years from 1979 to 1985 saw the biggest growth in the average net annual income of Chinese peasants, which increased at an annual rate of 16.9 percent, 13.6 percent faster than the annual average increase over the previous 26 years.

But the increase is spotty, presenting a pattern of decrease from east to west. The average annual income of peasants in the eastern part of the country reached 495.6 yuan, with a growth rate of 7.1 percent; in the central part, the average figure was 397.4 yuan, with a growth rate of 2.3 percent; and in the western part, the figure was 327.9 yuan, with a growth rate of 1.9 percent.

Rural industrial business and household businesses are still the main sources of income, with income from collective undertakings increasing by 7.5 percent, and from household production increasing by 7.2 percent.

The proportion of peasant households with an annual income of over 10,000 yuan increased from two percent in 1985 to 3.4 percent last year; the number of households with an annual income between 500 and 1,000 yuan increased to 25.3 percent from the previous year's 20 percent; the number of households with an annual income of between 200 and 500, which is considered enough to feed and cloth themselves, decreased from 65.5 percent in 1985 to 60 percent last year; and the number of households with an annual income of less than 200 yuan, which is considered difficult to make ends meet, dropped from

12.2 percent to 11.3 percent. In some areas struck by natural disasters, the number of families with an annual income of less than 100 yuan increased from 0.9 percent in 1985 to 1.1 percent in 1986.

According to the experts of the survey team, the rural areas need further reforms to open up more avenues for increasing production and income in order to ensure a sustained steady growth in the income of Chinese peasants during the 7th Five-Year Plan period ending in 1990.

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CSO: 4020/124

AGRICULTURE

LIAOWANG ON CHINA'S LAND MANAGEMENT LAW

HK250520 Hong Kong LIAOWANG OVERSEAS EDITION in Chinese No 7, 16 Feb 87
pp 6, 7

[Article by Mu Sheng (3668 3932): "China's First Law of Land Management Comes Into Effect"]

[Text] Although China accounts for one-fourteenth of the area of the whole world, it feeds one-fourth of the world's population. This is a miracle. However, this miracle has been created under pressure. In order to reduce the great pressure of population growth, China began to implement a strict family planning policy several years ago. Now, China views the management of its cultivated land as a basic national policy and demands the whole country treat this question seriously. "The Law of Land Management of the People's Republic of China," examined and approved by the Standing Committee of the Sixth National People's Congress, officially came into effect on 1 January 1987, thus putting an end to the confused situation of there being no law to abide by and various types of interference in land management. This shows that China, a country which is always proud of its vast territory and abundant resources, has begun to face up to its basic national situation of scarce land and big population.

The Main Characteristics of the Law of Land Management

"The Law of Land Management of the People's Republic of China" consists of altogether 7 chapters and 57 items which provide specific regulations providing the common basic principles governing land ownership, the right to use land and utilization and protection; land earmarked for the purpose of national construction, township (town), and village construction; the procedure of holding someone legally responsible for violating the law; and some other aspects. After reading the law, we discover that it has the following characteristics:

1. In view of land scarcity, especially the lack of cultivated land, the law fully embodies the principle of making overall plans, taking all types of land into consideration, and carrying out strict land management. Proceeding from the basic national situation of scarce land and big population, the "Law of Land Management" not only takes into consideration the land needed for construction but also stipulates that a strict land management system

should be implemented to protect cultivated land. In both state construction and township (town) and village construction, it is necessary to use land economically. When uncultivated land can be used for construction purposes, we should not use cultivated land. When poor cultivated land can be used for construction purposes, we should not use rich farmland. When using land for construction, it is necessary to go through all the legal procedures, such as the examination and approval, according to the law, and illegal and reckless use of land must be banned. Applications for the use of land that lack necessary legal conditions must be turned down. Those who violate the "Law of Land Management" and use land without authorization must be punished according to the law.

2. In view of the common practice of violating the law, the law provides specific rules and regulations on imposing severe punishment. According to the investigations carried out in various regions of the country, practices such as using land without authorization are very common. The Law of Land Management stipulates that those who illegally use and occupy land without authorization or through deceit must be ordered to return the illegally occupied land and pay a fine, and the cadres of the units involved must be given a disciplinary sanction by the units themselves or the higher authorities concerned. If the use of land is illegally approved, all the documents concerning the approval of the use of land are therefore considered invalid. Profit gained from illegally buying, selling, renting, and transferring land must be confiscated, and a fine must be paid.

3. In the new situation of opening up to the world and invigorating the domestic economy, the law provides the necessary conditions for land utilization in the development of lateral economic ties. At present, in some areas, enterprises under the system of ownership by the whole people, collective enterprises in the cities, and collective economic organizations in the rural areas are jointly making investment to establish jointly managed enterprises. These enterprises need to use collectively owned land. In the past, the relevant rules and regulations were too rigid. Now, the new law provides more flexible rules and regulations. Approved by the relevant departments of the state, these enterprises can use the land as land earmarked for the purpose of national construction or through the signing of agreements with agricultural organizations under collective economy, which views the right to use land as a condition for participating in joint management of these enterprises. The 55th item of the law stipulates that the methods regarding the management of land used by Sino-foreign joint ventures, Sino-foreign cooperative enterprises, and foreign-owned enterprises will be promulgated by the State Council.

4. In view of the situation that the system of contracted responsibilities with payment linked to output in land use has been generally implemented in the rural areas, the law further clarifies the object of the owner of collectively owned land. "The General Principles of the Civil Code" stipulate that the object of the owner of collectively owned land includes the peasant organizations under collective economy in villages, townships, and towns. However, in fact, in many rural areas, the land is still owned by production brigades. However, when peasants contract land from production brigades, do the production brigades still own the land? The Law of Land Management provides an affirmative supplementary regulation on this question.

The Basic National Situation of Scarce Land and Big Population

China is so big that it ranks third in the world, behind the Soviet Union and Canada. China is rich in natural resources. China has almost everything other countries have. And many of China's resources both on and under the ground rank first in the world. However, China has a population of 1 billion. As far as per capita land is concerned, China lags far behind other countries.

As far as land area is concerned, China's total land area is 14.4 billion mu. China's per capita land area accounts for only one-third of the world's per capita land area, of which China's per capita forest area accounts for only one-seventh of the world's per capita forest area, China's per capita grassland area, one-eighth of America's per capita cultivated land area, one-seventh of the Soviet Union's per capita cultivated land area, one-third of France's per capita cultivated land area, and two-fifths of India's per capita cultivated land area, much lower than the world's per capita cultivated land area of nearly 5 mu. At present, of the 26 countries in the world that have a population exceeding 50 million, in terms of per capita cultivated land area, China ranks 24th, higher only than Japan and Egypt.

China not only suffers from low per capita land area, but also suffers from poor land quality. China's forest cover rate is only 12 percent. Compared with some foreign countries, China's forest utilization rate, forest productivity, and forest preservation rate are much lower. At present, 80 percent of China's natural grassland is distributed in the northwest, and China's natural grassland with good quality and high output accounts for only 12 percent of China's total natural grassland area. At present, one-third of China's cultivated land is low-output cultivated land, and in fact, China's per capita good or relatively good farmland is less than 1 mu. Moreover, China's agriculture has a long history and the majority of China's land suitable for farming has long been cultivated land, so China now had only a limited reserve of cultivated land resources. According to the preliminary investigations, China now has over 0.5 billion mu of uncultivated land resources, of which only a bit more than 0.2 billion mu is of relatively good quality and suitable for farming. If China carries out a comprehensive development and harnessing of its uncultivated land under its existing technological conditions, and if the farmland development rate is 50 percent, the area of China's cultivated land can only be increased by a bit more than 0.1 billion mu. In the long run, the big population and limited land resources will remain an outstanding contradiction confronting the Chinese Government. This is the basic situation of China.

The Present Situation of Sharp Reduction in the Area of Cultivated Land

Although China's cultivated land area is small, the national construction, city and town development, township and town enterprises, and the peasants all need more land to carry out construction and build houses every year. This will inevitably use some cultivated land. Moreover, the rapid economic development and population growth will surely and gradually expand the area of cities and towns. According to the investigations on land utilization carried

out in 236 cities in China, the per capita use of land in the cities is now approximately 74 square meters. The per capita use of land in the cities in north China is a bit more than that in the cities in South China, while the per capita use of land in small cities is a bit more than that in big cities. In Shanghai, whose industrial output value accounts for one-tenth of China's total industrial output value, the per capita use of land is only 29 square meters. Moreover, the developing township and town enterprises will continue to develop in the future. At the end of this century, every year, on the average, 5 percent of the peasant households in China will build new houses or rebuild their houses. All this will increase the demand for land.

In the meantime, the waste of land, the reckless occupation of cultivated land, the destruction of forest and grassland, the reckless cultivation and denudation, the soil erosion, the formation of deserts, the reduction of soil fertility, the land pollution, the ecological deterioration, and so on will form a serious threat to the rational utilization of China's land resources.

According to the statistics, the "three wastes" [waste gas, waste water, and industrial residue] have polluted 25 million mu of China's cultivated land, the area of soil erosion has reached 1.5 million square km, and in the whole country, farming must be stopped on about 0.12 billion mu of desert land and steep land to turn the land, which is unsuitable for farming, into pastureland.

The speed of reduction of the cultivated land area is astonishing. From 1981 to 1985, China's cultivated land area decreased by 36.88 million mu, an average annual decrease of 7.38 million mu, while the per capita use of land has decreased from 1.52 mu in 1980 to 1.4 mu at present. Every year, some provinces of China must reduce their cultivated land by an area almost equivalent to a medium-sized country. The per capita cultivated land in one-third of China's provinces is less than 1 mu. For example, the per capita cultivated land of Guangdong Province has been reduced from 1.5 mu in the first few years after the founding of the PRC to 0.73 mu today. At present, the peasants in the suburban areas of a majority of Chinese cities and towns lack farmland or even have no land to farm. According to the investigations, 650,000 peasants in Hubei Province are short of farmland or even have no farmland. It is estimated that in the whole country, nearly 10 million peasants now lack farmland or even have no farmland. The livelihood of these people has been seriously affected, thus bringing unstable factors to the society. The seriousness of the land problem has been one of the highest concerns of the Chinese Government.

After 1955, the party and state promulgated a large number of rules, regulations, documents, and notices regarding the management and use of land. However, there were no complete and comprehensive laws governing the management and use of land. In China, there were numerous land management organizations in the past. For example, the Agricultural Department took charge of the work of land management in the rural areas, the Land Reclamation Department took charge of the work of land management on the farms, the Urban Development Department took charge of the work of land management in the cities, and the

Military Department, Oil Department, and some other departments also took charge of the work of land management but sometimes failed to do so. Because so many departments and organizations were involved in land management work, there was disorder and inefficiency in the work. This situation indeed gave rise to the development of the phenomenon of reckless occupation and use of cultivated land.

In his government work report at the fourth meeting of the Fifth National People's Congress, Premier Zhao Ziyang pointed out: "Our country has a big population but lacks cultivated land. Along with the growth of our population, this contradiction will surely become ever sharper. To treasure every inch of our land and make rational use of our land should become our national policy."

In 1986, the party and state made three major policy decisions regarding land management work: First, the CPC Central Committee and State Council jointly issued the "Notice on Strengthening Land Management and Banning Reckless Occupation of Cultivated Land" and demanded the whole country check the current situation regarding the use of land for purposes other than agriculture; second, the NPC Standing Committee examined and approved the "Law of Land Management of the People's Republic of China"; third, in order to guarantee smooth implementation of the Law of Land Management, the 100th regular meeting of the State Council decided to set up the State Land Administrative Bureau to exercise control over land in the whole country and over land administration in the urban and rural areas in a unified way. This signified a major turning point in China's land management work and a major reform of the land administrative structure.

Reform of the Land Management System

In order to implement the Law of Land Management, the State Land Administrative Bureau has proposed a series of measures regarding the reform of the land management system.

--To strengthen macroscopic control of the land and implement quota control in land management. In order to effectively save the land earmarked for construction, the state will make medium- and long-term plans as well as annual plans for every specific piece of land earmarked for construction, and make mandatory plans to prevent cultivated land from being used for purposes other than agriculture. The quota for controlling the area of cultivated land earmarked for purposes other than agriculture in 1987 is 5 million mu.

--To apply administrative measures in the management of land resources and establish natural reserves. The scope of natural reserves includes the major scenic spots and historical sites; the natural ecological reserves; agricultural, forest, and animal husbandry production bases; and brand name, special local, and quality farm and sideline product production bases. In the meantime, efforts should be made to basically protect 80 percent of the good-quality, high-yield, and stable-yield farmland and farmland that promises increased yields. Protection zones should also be set up around large vegetable fields in the planned city area.

--To turn the practice of using public land for free into the practice of using public land for pay. For a long time in the past, China implemented a system that allowed free and indefinite use of public land. This system resulted in the units that used public land eating from the "same big pot" of the state. One of the important reasons for the waste of land resources is that in building construction projects, no consideration was given to the economic use of land, and if the land earmarked for construction purposes was left idle, the units concerned did not have to suffer any economic losses. Now, the reform characterized by implementation of the new practice of using public land with payment has been carried out in some cities on a trial basis and has achieved marked results.

--To accelerate the basic work of land management. The main contents of the work are to check the situation concerning the number, quality, distribution, and usage of various types of land in the whole country; register, count, and classify the various types of land; and make plans for the scientific assessment and comprehensive utilization of the land to raise the land utilization rate and increase the land's economic results, and, at the same time, make a series of specific plans for the implementation of the Law of Land Management so that laws are observed and violations dealt with.

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CSO: 4006/377

AGRICULTURE

REFORM OF GRAIN MARKETING SYSTEM URGED

Beijing NONGYE JINGJI WENTI [PROBLEMS OF AGRICULTURAL ECONOMICS] in Chinese No 11, 23 Nov 86 pp 37-40

[Article by Duan Yingbi [3008 2019 4310] of the Rural Development Research Center, State Council: "There Must Be Major Reforms in the Grain Marketing System"]

[Text] I. A Choice Must Be Made Between Growth or Stagnation in Grain Production

Given the quite large reductions in China's grain production last year, this year both the acreage and yield were able once again to show increases. However, we must soberly recognize that some of the fundamental problems limiting the development of grain production still have not been solved. If major steps are not taken, grain production may fall into new stagnation, and there is the risk that the grain quotas stipulated in the Seventh 5-Year Plan will not be fulfilled. The fundamental problems are as follows:

1. In the past 3 years, the prices for agricultural production materials have risen sharply, but the purchase price for grain has basically not changed. This has led to a large decline in the actual profit from growing grain. According to statistics from the National Statistics Bureau, from 1983 to 1985, the price for chemical fertilizers rose 43 percent; agricultural chemicals, 82.6 percent; the average price per horsepower for power-driven machines used in farming rose 92.1 percent; and the prices for diesel fuel, electricity, and water used in agriculture also increased severalfold. According to data from a survey of agricultural costs in 12 provinces, the net income from each mu of grain declined 30 to 40 percent from 1983 to 1985. For this reason, peasants are most unwilling to plant grain, and they are especially unwilling to plant grain under fixed purchase contracts.

2. Growing grain offers the fewest opportunities and least profit. It is not as good as growing cash crops, and is far worse than working in industry or sideline production. According to a survey of agricultural costs conducted by the Jiangsu Price Bureau in 1985, the average per mu net profits for various agricultural products and byproducts were: grain, 55.71 yuan; oil crops, 64.59 yuan; hemp and similar crops, 231.94 yuan; vegetables, 323.4 yuan. The income from working in industry or commerce is several times higher than from

planting grain. This variety of opportunities is not very common, for in most areas now, peasants simply do not have these options, and have no choice but to continue growing grain. But they do so grudgingly, without any interest in production or any enthusiasm for adding inputs. In the future there will be more and more opportunities to engage in nonagricultural activities, and so the problem will become worse and worse.

3. Agriculture, and grain production in particular, will not be able to cope with future problems. Farm water conservancy systems have not been maintained, the area under irrigation has been reduced, and the ability to resist disasters has been weakened. Agricultural production materials are in short supply; for chemical fertilizers and diesel fuel in particular, supply cannot meet demand.

4. Local governments do not have much enthusiasm for investing in grain production. In the nation's "silver medal" commodity grain-producing county--Xinghua County in Jiangsu--a leading comrade explains: Our county government spends more than 5 million yuan each year on grain production subsidies (primarily subsidies for small-scale fertilizer production and water conservancy). But the grain we produce is all shipped away at the parity price; we do not even get to keep the chaff. The several million yuan in profit from negotiated sales mostly goes to the provincial company, with a small part staying with the county company. The county government does not get a cent, not even in taxes. We have thus become a county famous for high yields and poverty. Who else would do anything so stupid?! If we had put the same money into industry, we would be famous and rich.

It appears that major steps must be taken. Only by comprehensive handling of grain production investments, purchase prices, the marketing system, and other elements will it be possible to raise grain production to a new level.

II. We Must Resolve To Hold Down Spending on Parity Price Grain

For more than 30 years the state has implemented the policy of overall responsibility for sales of parity price grain. Besides the grain ration for urban and rural residents, the state has also supplied soysauce, vinegar, cakes, liquor, and some 20 other grain-made goods at the parity price. In addition, the "shift away from agriculture" has gone out of control. State spending on parity price grain has gradually gone up and up. Although last year a portion of the grain sales back to villages was kept down, total parity price grain expenditures still reached more than 150 billion yuan. Increased centralized sales means increased centralized purchases and more state subsidies. The city people are content, but peasants are unhappy, and the state cannot bear it financially. The key step at present is, therefore, to hold down centralized sales. If this is not done, we will not be able to reduce the amount of fixed-contract purchases, the grain marketing system will not function well, and grain production will not rise.

Due to China's current low industrial labor productivity, average worker wages are low, and so for the present it is still necessary to retain the parity price grain supply for urban and rural residents. But it would be possible to change from the parity price supply to negotiated price supply for grain which

is not part of the grain ration, correspondingly changing the "hidden" price subsidies for this grain to "open" subsidies. This change would not increase the actual cost to residents.

We might consider carrying out two stages of reform with this portion of centralized grain sales. First, we should not give actual grain in programs directly funded by the central authorities, such as providing relief grain in return for labor, structural use of grain, and rewarding with grain; instead, we should give money to make up the price difference. Then, "grain used for other purposes" (including foods and beverages, nonstaple foods, brewed products, etc.) should be supplied at the negotiated price. This means that gradually the government would only be responsible for grain for the urban and rural ration, the military, disaster relief, and foreign aid. By also adding in the devaluation and wear-and-tear during processing, we can in this way keep parity price grain spending down to about 100 billion yuan. A corresponding reduction could also be made in the amount of fixed-contract purchases.

The decision on whether or not to supply more than 10 products made from grain at the negotiated price instead of at the parity price is best made when the decisionmaking power is divided among local authorities rather than concentrated at the top. It is therefore suggested that all of the grain subsidies be handed over to county and city governments. Which subsidies are given first and which later will be decided by the county and city governments in accord with local interests. This will spread out the risks involved in this reform. The central revenue authorities could consider not claiming any of subsidy funds saved by local governments in cutting back on centralized purchases during the Seventh 5-Year Plan. This would encourage local governments to reduce more subsidies sooner, so that they would get greater benefits earlier.

III. Is It Better To Raise the Grain Purchase Price Soon or Later?

Since the second half of last year, the market price of grain has gone up quite a bit, widening the gap between the state-determined fixed contract price and the market price. The more grain peasants sell, the more they lose. They are therefore usually unwilling to sign contracts. Many places have in fact gone back to the old system of centralized purchases. Objective circumstances show clearly that if we want to increase the peasants' enthusiasm for growing grain, we must raise the grain purchase price.

During the Sixth 5-Year Plan, the overall price of parity, negotiated, and market grain in China more or less doubled. During the Seventh 5-Year Plan, prices for industrial and agricultural products will also certainly rise. It is only right that we should correspondingly prepare to raise the grain price (including the negotiated and market prices) by about 50 percent. It would be better to raise the price soon rather than later. If the price rise comes in the latter part of the Seventh 5-Year Plan, this will have little effect on the immediate future. Raising the price a little now could have the effect of breaking the current stagnation and realizing the grain plan quotas of the Seventh 5-Year Plan. Proceeding from this consideration, we could now raise the fixed-contract purchase price to the original level of the bonus price

paid for grain bought in addition to the contracted amount. The price for each jin would go up approximately 0.024 yuan, an increase of about 13 percent. Many comrades are concerned that this will set off a large chain reaction, but I think this unlikely. Based on the formula which focuses on the grain price and which was used in the period when there were nothing but centralized and assigned purchases, the scale of the chain reaction would be approximately 1:4; i.e., if grain prices go up 2.5 billion yuan, the chain reaction would reach 10 billion yuan. But the situation now is different, since the price of most farm products has already been deregulated, and the supply of several principal cash crops exceeds demand; there would be no chain reaction with these products. What might be affected would be animal products, especially pigs. But long-term growth in animal husbandry cannot forever be built up on a foundation of parity price grain, which actually represents state subsidies. Prices should be deregulated, allowing supply and demand to reach a natural balance. China has many people on little land. It is a very risky procedure to use state subsidies to stimulate a rise in the masses' meat consumption level. There are some socialist countries with more than 750 kg of grain per capita which still have to import grain; there is a lesson in here for us.

Raising the grain purchase price should be handled differently in different situations. We should strictly avoid across-the-board increases. In general we can distinguish among three kinds of areas:

The first is one in which there is a concentration of commodity grain production. The amount of contracted grain purchases need neither be reduced nor increased, but the purchase price should be raised to the level of the original bonus price or a bit higher.

The second is the economically developed areas along the coast and the suburbs of large and medium cities. Raising the price of grain by over 0.02 yuan per jin would do little to attract peasants. But if the contract obligation is reduced, the peasants would correspondingly reduce grain production. Therefore, neither price increases nor reductions in the contracted amount are suitable in such areas. Such areas should instead develop the scale of production by "using industry to build up agriculture." According to surveys, if an able-bodied person plants 15-20 mu in the south or 30-40 mu in the north, the income from growing grain would surpass that of working in industry. The worker would also have a certain capacity for accumulation. The state might consider appropriately reducing township enterprise taxes on the condition that the local authorities increase their investment in agriculture and develop the scale and intensity of production, so that gradually both developed rural industry and modernized agriculture would come into being.

The third is some poor mountain areas lacking grain, where fixed contract purchases need not be made. Where conditions permit the development of grain production, the subsidies currently spent on bringing in grain and the shipping costs could be divided locally. The money would be used to raise the grain purchase price and thereby stimulate the development of local grain production. Zhejiang Province used to transfer grain from Jiaxing Prefecture to the mountainous areas in Wenzhou Prefecture, spending an average of more

than 0.06 yuan to ship each jin. Last year they gave half of this money to the mountainous areas in Wenzhou. The amount of grain brought in was greatly reduced, showing that this method is feasible.

IV. Reform of the Parity Price Grain Management System

Parity price grain is now basically a nationwide "big pot of rice," so that local authorities are restructuring production on the basis of parity price grain from the central government. Why are many places suggesting that they "get rid of the burden of self-sufficiency in grain"? Why can't we control the "shift away from agriculture"? The reason for this is that compared to growing one's own grain, it is much easier and cheaper to eat parity price grain from the central government. If this policy is not changed, it will definitely encourage localities to produce less and bring in more from the outside.

We might consider changing over to assigning complete responsibility; i.e., counties and cities would be the units approving purchases and sales, allocating imbalances, assuming responsibility for profits or losses from the grain, keeping money saved by cutting costs, and being responsible for cost overruns. Suppose a county approved a grain-purchase contract for 300 million jin, with local parity price sales of 100 million jin (increased proportionately for the natural population growth each year), and the obligation to send out 200 million jin. In this case, the central authorities would put all the subsidies for the 100 million jin of locally sold grain at the disposal of the county. On the condition that the county guarantees shipments out of 200 million jin, it has the right to arrange grain production and sales within the county. If centralized sales are increased, the county must bear the additional grain costs; but if the opposite occurs, and centralized sales are reduced, the savings in grain subsidies go to the county, not to the central government. Self-sufficient counties and counties which import from elsewhere would also be treated this way. In other words, the central government would only take care of the allocations for imbalances in approved purchases and sales and the subsidies for local sales in various counties and cities. As for other matters, it would allow the local authorities to run things on their own.

This method offers these benefits: 1) It helps encourage local authorities to gain control of grain production; the numbers for shipments in and shipments out are currently too tightly controlled by higher authorities. If the locality continues to switch to other crops, the grain output will drop, and there is no assurance that local sales will be sufficient. This will particularly affect counties which ship in grain, because the price will be based on cost plus shipping charges; this would add more than .10 yuan per jin to the current parity price of grain brought in. These counties will certainly work hard to develop production, in order to reduce the shipments from outside. 2) It will help hold down parity price grain expenses; now the budget approval of sales and corresponding subsidies is too rigid. If a locality sells 1 jin more of parity price grain, it will have to pay more than 0.10 yuan extra in state subsidies. This will definitely put a stop to the large-scale "shift away from agriculture." 3) It will help improve management of grain. Under the current system, if there are flaws in management, or even

rotting grain in warehouses, the county or city is not affected financially. For this reason the local authorities seldom show any concern. But after responsibility is assigned, the situation will be quite different. If problems crop up in management or in storage, the county or city will suffer financial loss, and so they will definitely increase their supervision and administration. 4) It will help rationalize the grain price. After responsibility is assigned, the money and grain will both be controlled by the county and city governments. The governments can themselves, based on local conditions, rationalize all or some of the imbalances in purchases and sales. Sooner or later each county and city will tackle the very difficult problem of reforming the grain system, and ultimately they may solve the problem.

V. Truly Invigorate Negotiated Purchases and Sales

The commodity circulation of grain should be gradually converted from centralized state allocations and assignments to the genuine exchange of commodities. From now on increased sales of commodity grain should primarily rely on grain supplied at negotiated prices. Negotiated purchases and sales should therefore become an increasingly important way to ensure society's grain supply.

At present there are a host of difficulties involved in developing negotiated purchases and sales of grain. The biggest problem is that the amount of commissioned purchases is too large and too much grain is set aside for centralized sales. This means that sources of negotiated-price grain are lacking and the market is limited; in addition, areas are isolated from each other, so that the market is divided up and it is even more difficult to make use of negotiated prices. At the same time, the price for negotiated transactions is controlled too tightly; in fact, it has formed a new price standard between the contract purchase price and the market price. Another problem is that many current negotiated purchases and sales are carried out by county grain companies, but most of the profit is taken by provincial companies to be used as financial subsidies. The county government does not benefit at all, for it neither receives a profit nor does it get any tax revenue.

In order to truly invigorate negotiated purchases and sales, we may consider: 1) Abolishing province- and prefecture-level companies which deal in negotiated grain purchase and sales. County companies would be changed into independent accounting units, responsible for their own profits and losses, and paying taxes according to the law. 2) Truly deregulating the negotiated price for grain purchases and sales, so that it actually reflects the market price. 3) With regard to taxes, credit, and railroad car scheduling, those dealing in negotiated price grain should be included in planning and receive the same treatment as those dealing with parity price grain. The interest on bank loans should also be the same as for parity price grain businesses.

In summary, we should continue to implement a two-track system. The fixed-contract purchases should firmly control everything from price to marketing channels and allocation, while the negotiated-price transactions should be thoroughly flexible. We must not "be flexible in appearance only" or "choke it half to death."

VI. Establish a Mechanism for Regulating National Grain Stores

China has a vast land area and a complex array of natural conditions, hence it is unavoidable that from year to year and place to place the grain harvest should fluctuate between plenty and want. Local difficulties in marketing grain or buying enough grain will also crop up, and imbalances between different areas and different crops will continue for a long time to come. It is therefore necessary to have a macroeconomic regulatory mechanism capable of

accommodating and adjusting the grain supply. This should be an act of government, and should not be undertaken by grain enterprises; what is required is the establishment of a national grain-regulatory mechanism.

When the market price for grain in a certain area is too low, the government's regulatory office would buy grain at a reasonable support price until the market price rose. When the grain market price rises too high in a certain area, the local market would be flooded with grain until the market price stabilized at a reasonable level.

Based on current conditions, the national grain storage regulatory mechanism is basically in control of 30 billion jin of grain, enough to serve the function of buying and selling grain in order to stabilize the market. It can ensure that there are no major fluctuations in the market. From the reserves. 30 billion jin to be used in the newly established regulatory mechanism. As a grain reserve fund allocated by the state, it need not bring any increase in state spending. However, the new regulatory mechanism must have government financial support to fall back on. Economic profits gained from buying and selling grain can be used to replenish the reserve fund, but the government should be responsible for the losses.

In our nation of 1 billion people, grain will always be a major concern. In considering the strategy for development of the national economy, we see that we must be willing to part with a certain amount of money in order to reform grain production inputs and the marketing system. The reforms discussed above do not require much spending, but could give us a new mechanism which would help invigorate grain marketing and promote the growth of grain production. This would unquestionably be worth the effort.

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AGRICULTURE

NATION NEARS TARGETS FOR AGRICULTURAL PURCHASES

HK140648 Beijing CHINA DAILY in English 14 Feb 87 p 1

[By staff reporter Liu Dizhong]

[Text] China is closing in on its planned purchase targets for the year of grain, cotton and edible oil, the three major agricultural products whose planting and purchase is controlled by the state under contract with farmers.

The state purchase of grain and edible oil is mainly used by the 200 million urban residents of the country. Cotton purchases are used by the entire population.

By January 20, more than 92 percent of the grain target had been reached, an increase of 3.9 percent over the figure reached by January 20, 1986, a senior official of the Ministry of Commerce told CHINA DAILY.

China's grain output for last year is expected to be up 390 million tons, only a bit lower than the record harvest of 1984. The state plans to purchase more grain than last year before its usual deadline of the end of March.

But, according to the official, the state purchase of cotton and edible oil has been reduced.

By the end of last month, purchases of cotton and edible oil had reached 70 and 97 percent, respectively, of the planned targets.

Because of the rise in cotton quality, farmers have received 15 to 20 yuan more per dan, or 50 kilogrammes, of high-quality cotton.

China's cotton output for last year is expected to reach about 3.5 million tons. The state has decided to increase cotton production by a big margin this year, and the purchase price will also be further raised.

Although the nation has targeted this year's grain output to match the 1984 record of more than 407 million tons, the state will buy less contracted grain than in 1986 in order to give farmers more to sell to the country at a higher price, the official said.

Last year the Ministry of Commerce spent 101.6 billion yuan (\$27.2 billion) for the purchase of agricultural, animal and sideline products, an increase of 11.1 percent of 10.1 billion yuan (\$2.7 billion) over the previous year.

State purchases of pork, beef, mutton, tea, fruit and vegetables increased last year with pork purchases up 9.1 percent, tea up 4.2 percent, mutton up 5.8 percent, wool up 30 percent, vegetables up 26 percent, oranges up 22 percent and bananas up 200 percent.

However, the purchase of eggs and poultry dropped due to intense competition with collective and individual dealers. Total sales by urban free markets reached 37.5 billion yuan (\$8.1 billion) in 1986, up 28.9 percent from the previous year.

The Ministry of Commerce also increased its purchase of industrial products to ensure the prosperity of state-owned shops and department stores.

Compared with 1985, the state purchase of cloth rose 12 percent; color televisions, 50 percent; washing machines, 13 percent; refrigerators, 81 percent; wine, 8.5 percent, and sugar, 15.4 percent.

The purchase of fertilizers, pesticides and farm tools also showed a big increase. Last year saw a 32.3 percent rise in state purchases of fertilizer, but it remained one of the commodities in short supply throughout the country.

Overstorage has resulted in declining state purchases of some industrial products such as transistor radios, black and white televisions, sewing machines and matches.

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AGRICULTURE

EXPERTS SAY PEASANTS SHOULD INVEST IN AGRICULTURE

OW191800 Beijing XINHUA in English 1441 GMT 19 Feb 87

[Text] Beijing, February 19 (XINHUA)--China will be able to sustain its vigorous development of agriculture for a long time to come if the peasants are motivated to invest and the present achievements in agricultural science are fully and better applied.

These are the opinions of a panel of agricultural experts and officials at a recent forum organized by China's leading newspaper, the PEOPLE'S DAILY, to discuss how to increase the staying power of agricultural development.

The goal for investment in agriculture of the 800 million peasants is the key to sustaining a stable development of agriculture," said Ji Yecheng, an agricultural expert.

He complained that the enthusiasm for increasing investment in farming on the part of the peasants is still very weak. They have spent a lot of money building new homes and many of them even used their hard-earned money to build temples and tombs and carry out superstitious activities.

He said that over the past few years the peasants have used an estimated 120 billion yuan on building new homes. And though their income increased 107 percent from 1980, the working capital for production rose only 28.6 percent, far lower than the growth of their consumption which was registered at 71.9 percent.

The government has paid full attention to investment in agriculture, increasing it by 40 percent over last year mainly for building large water-conservancy and irrigation projects and for constructing commodity grain centers, the experts said. But the amount of money was still small, compared with the backwardness of agriculture, they said. "The peasants themselves should be the ones to put in the investment," he said.

Some prosperous peasants in recent years lack any clear idea how to use their money to expand production. A few have been buried money in walls or in the ground for fear of changes in state policies.

"It is very important to offer peasants more channels and forms for investment in farming," the expert said. He suggested the opening of financial markets in the countryside as a channel to attract peasants' money into farming projects.

Another major factor for sustained agricultural development, experts from the Academy of Agricultural Sciences said, is the "full application of the achievements already made in agricultural research."

They suggested that if all the major crops in China were replaced by fine strains, the country would reap an additional 15 million tons of grain and 250,000 tons of cotton.

According to a rough calculation, 1,498 items of scientific achievements in agriculture were made between 1979 and 1985, and 32 of them have brought an economic turnover of 100 million yuan each.

Therefore, they urged local governments to pay adequate attention to building up a sound network for research into farming techniques at the county, township and village levels.

"The training of young peasants is another urgent task at present," they said. The 120 million middle school graduates in the countryside, the major work force, must be listed as main trainees.

An official from the State Planning Commission called for a more scientific management of the rural economy to promote more vigorous production and marketing.

They called for severe punishment for those responsible for encroaching on arable land. Some [words indistinct] hectares of cultivated lands were used for construction and other purposes in 1984 and 1985. Handsome rewards must be given to those expanding cultivated lands, they said.

Efforts must also be made to quicken the exploitation of natural and labor resources in the countryside to make up for the shortage of funds, some said.

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AGRICULTURE

FARMERS BENEFIT FROM DEMONSTRATION PROJECTS

OW191640 Beijing XINHUA in English 1520 GMT 19 Feb 87

[Text] Shenzhen, February 19 (XINHUA)--Farmers in 113 counties chosen as national pacesetters in production of quality farm products were greatly benefited from the demonstration projects, with per-capita income increasing nearly 17 percent and grain output value rising 8.4 percent last year.

These counties, distributed in 28 provinces, municipalities and autonomous regions, are the first batch production centers chosen for demonstrating ways to increase production, storage, processing and preservation of high quality cereals, edible oils, fruit, vegetables, flowers, tea and medicine. The demonstration projects were jointly invested by the state and localities, with a total of 287 million yuan.

According to statistics released at a recent meeting of these counties which closed this week here, the 39 grain and soybean producers harvested 11.33 million tons of the crops in 1986, up 6.8 percent from the year before. And the grain sold to the state soared 43.6 percent to 2.55 million tons. The 34 fruit producers reported an output of 2.4 million tons, more than 10 percent higher than 1985.

The value of high quality farm produce came to 26 billion yuan (about seven billion U.S. dollars) and the per capita income in these counties averaged 452 yuan as against 408 yuan in 1985.

The centers whose construction work began last year are designed to "provide more quality farm products and processed products to both Chinese and foreign markets," according to an official attending the conference. They are also designed to pioneer new production techniques to be spread to other parts of the country.

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AGRICULTURE

INCIDENCE OF WHEAT RUST IN VARIOUS WHEAT GROWING REGIONS

Tianjin ZHIWU BAOHU [PLANT PROTECTION] in Chinese No 3, 8 Jun 86 pp 2-4

[Article by Xie Shuixian [6200 3055 0103] of the Chinese Academy of Agricultural Sciences, Plant Protection Institute]

[Abstract] The incidence of wheat rust in China's 10 wheat growing regions varies with the climatic peculiarities of each region. Trends in wheat rust incidence emerge from brief summaries of wheat rust incidence in wheat growing regions over the last 30 years. The incidence of wheat rust in the Northern winter wheat region, the Huanghuai winter wheat area, the Lower Yangtze wheat region, the Southwest winter wheat region, the Huanan winter wheat region, the Dongbei spring wheat region, the Northern spring wheat region, the Xibei spring wheat region, the Qinghai-Xicang spring wheat region, and the Xinjiang spring wheat region is summarized. Most regions lost 20 percent or more of the wheat crop to rust in several years between 1950 and 1964. Since 1964, with the diversification in the varieties of wheat grown, the introduction of rust resistant varieties and generally more favorable weather crop losses from wheat rust have been much less. Since 1980 southern Henan, Gansu and Sichuan have had the most serious crop rust losses. Many wheat varieties have lost rust resistance.

The fungicide Funxiuning [4720 6907 1337] developed recently can prevent leaf rust and stripe rust when sprayed onto crops. Encouraging the spraying of crops with fungicides, now that there are not enough disease resistant varieties, is cost-effective.

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AGRICULTURE

RENMIN RIBAO ON FULFILLING GRAIN OUTPUT TARGET

OW240927 Beijing XINHUA in English 0817 GMT 24 Feb 87

[Text] Beijing, 24 February (XINHUA)--Today's PEOPLE'S DAILY predicts China will meet its projected annual grain output of 480 to 500 billion kilograms by the year 2000.

A commentary in the newspaper reported that a few people have misgivings about China's ability to meet the target. They think: "The country turned out 390 billion kilograms last year, compared to the all-time high of 410 billion kilograms in 1984, but it will not be easy to produce 450 billion kilograms in 1990, and even harder to meet the 480 or 500 billion kilogram goal set for 2000."

However, the commentary says: "China has great potential for increased grain production, because high-yield farmland now makes up only 10 percent of the total area now under cultivation and moderate and low-yield farmland takes up the remaining 90 percent."

"High-yield areas produce 4,500 kilograms more grain per hectare and moderate-yield fields 2,700 kilograms more than the land classified as low-yield," the newspaper says.

"If China upgrades 3.33 million hectares of low-yield farmland, less than 10 percent of the total, into moderate-yield fields in the next few years, grain output could increase nine billion kilograms," the newspaper says.

"And if low-yield soil on such an acreage is further upgraded to the high-yield category, another 15 billion kilograms could be produced."

"Boosting grain production is not an easy task which will require a lot of effort from many sources," the newspaper stresses.

The newspaper calls on local authorities to continue reforms by streamlining the work involved in grain and other crop production, raising economic efficiency and encouraging farmers to grow more grain. "Increased investment in agriculture to improve material and technical conditions for production will also help grain production output to steadily rise," the newspaper says. [Text] [Beijing XINHUA in English 0817 GMT 24 Feb 87]

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AGRICULTURE

CHEMICAL FERTILIZER PRODUCERS TO INCREASE OUTPUT

OW211230 Beijing XINHUA in English 1128 GMT 21 Feb 87

[Text] Beijing, 21 February (XINHUA)--China's chemical fertilizer producers will increase output to guarantee a good harvest of agricultural products this year.

Qin Zhongda, minister of the chemical industry, said today, "China's chemical industry aims to produce 73.5 million tons of chemical fertilizer this year, a jump of 1.5 million tons, to show an increase of 9.4 percent."

"An increase this high is rare," he said. "Last year the country turned out a total of 67.2 million tons, only 4.7 percent over 1985."

From 1949 to 1986, the state government invested 25 billion yuan (\$6.8 billion) in the chemical industry, with fertilizer output totaling 770 million tons.

Qin said, "Although fertilizer output is increasing, it still does not keep pace with agricultural development, and the country still has to import fertilizer."

China now has 1,900 fertilizer plants and factories. Some of them have imported equipment to produce synthetic ammonia and urea.

To promote the steady growth of chemical fertilizer production, enterprises are being upgraded to expand production capacity, new factories will be opened, and technological upgrading of small fertilizer factories will be accelerated.

China's chemical industry will focus on ten key construction projects this year, including the construction of the Shanxi Fertilizer Factory, the Qinghai Potash Fertilizer Plant, and three phosphate and ammonia plants.

Small fertilizer factories closed down last year will resume production. The output of nitrogen and phosphate fertilizer produced in small factories accounts for half the country's total.

The Chemical Industry Ministry also guarantees raw material supply for the manufacture of pesticides and it is encouraging factories to produce more.

China's agricultural markets are in urgent need of more insecticides, pesticides, fungicides, and herbicides.

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AGRICULTURE

BRIEFS

FERTILIZER PLANTS--Beijing, 18 February (XINHUA)--China's small fertilizer plants produced more than 60 percent of all the fertilizer used in the country last year, according to recent surveys. These small plants are usually owned and run by townships and counties in rural areas. Together they produced 40 million tons of fertilizer last year. Technical upgrading has been emphasized in these rural plants in recent years to raise quality. Consequently, their products last year met the quality standards. [Text] [Beijing XINHUA in English 1610 GMT 18 Feb 87 OW] /9871

PROGRESS REPORTED IN RESTRUCTURING--Beijing, 23 February (XINHUA)--China keeps seeing results in the implementation of a three-part restructuring of the country's rural economic format. In eastern China, the economy is relatively developed, with the rural social product making up 55.2 percent of the country's total, according to the State Statistic Bureau. The production value of rural industries, construction, transportation, and other services in rural areas in the eastern sector exceed those of agriculture to total 56.1 percent, according to the bureau. In central areas, where crops make up the biggest part of the rural economy, forestry, animal husbandry, fisheries, and sideline production rose to 34 percent of the total production value. In the west, rural industries are taking shape and produced 17.1 percent of the total rural product last year, and animal husbandry now represents 24.5 percent of the total rural production value, the statistics bureau reported. [Text] [Beijing XINHUA in English 1304 GMT 23 Feb 87] /9871

HYBRID RICE CULTIVATION INCREASES--Beijing, 23 February (XINHUA)--High-yielding hybrid rice was planted on 8.87 million hectares in China last year, 81 percent more than in 1981 when such strains were introduced, according to an expert advisory group of the Ministry of Agriculture, Animal Husbandry and Fisheries today. The total output of hybrid rice reached 58 million tons, double that of 1981. Among the new hybrid strains, many are high-yielding and early ripening and many old combinations of strains have been renewed. According to the expert group, since 1983, China has popularized 195 new strains or new combinations, which have given an additional output of 3.7 million tons. Hand in hand with the development of new rice strains are new cultivation techniques, including high-yielding cultivation patterns, regeneration of hybrid rice, dry planting of hybrid rice and high-yielding seed preparation techniques. East China's Jiangsu Province, where 90 percent

of the fields are planted with hybrid rice, reported a per-hectare yield of 779.25 kg. The seed preparation techniques have boosted the average per-hectare output from 669 kg in 1981 to 1,875 kg, according to the experts. [Text] [Beijing XINHUA in English 1257 GMT 23 Feb 87] /9871

MINISTRY ANNOUNCES TIMBER REDUCTION--Beijing, 20 February (XINHUA)--China will reduce its timber output by nine million cubic meters between 1986 and 1990 as part of the effort to restore its ecological balance, forestry minister Yang Zhong told XINHUA today. The national tree planting drive will continue, Yang said, noting that only 12 percent of China's land mass is covered with green, compared to 22 percent for the world. The Forestry Ministry will focus on planting tree belts in northern China, implementing water and soil conservation projects on the upper and middle reaches of the Yangtze River, and growing shelter forests in coastal areas. Yang also called for closing hillsides to livestock grazing and firewood collection from time to time, and encouraging tree planting on hilly and low-yield farmland. The state will increase investment and provide more loans to boost tree planting, he said. [Text] [Beijing XINHUA in English 0916 GMT 20 Feb 87] /9871

REDUCTION OF ARABLE LAND--Beijing, 18 Feb (XINHUA)--According to the latest information provided by the State Statistics Bureau, the unhealthy trend of reckless use of arable land still continues in some parts of China. Following a decrease of more than 15 million mu in 1985, arable land across the country decreased again by 9.86 million mu in 1986. That was 2 million mu more than the average yearly decrease of the Sixth 5-Year Plan period, during which arable land decreased by 7.3 million mu annually. As a result, grain output dropped by more than 2.5 billion kilograms in 1986. Regionally speaking, arable land dwindled in varying degrees in all provinces, regions, and municipalities--with the exception of Guangxi, whose acreage remained the same as that in 1985. Reduction of arable land has been more sizable in the north than in the south. Regions whose arable land decreased by more than 500,000 mu each include Shandong, Heilongjiang, Liaoning, New Monggol, Hubei, Guangdong, and Henan. Twenty provinces, municipalities, and autonomous regions had a decrease of arable area for 6 years in a row. Among them, Nei Monggol, Shandong, Sichuan, Liaoning, Shaanxi, and Guangdong had an aggregate decrease of arable land in excess of 3 million mu each. [Excerpt] [Beijing XINHUA Domestic Service in Chinese 1504 GMT 18 Feb 87 OW] /6662

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LABOR

PRAVDA DETAILS PRC WORKERS' LIVING STANDARDS

PM271357 Moscow PRAVDA in Russian 18 Jan 87 Second Edition p 4

[B. Barakhta report under the rubric "At Your Request": "Two Families"]

[Text] PRAVDA readers follow the building of socialism in China, the great Chinese people's successes in the economic and other spheres, and the positive changes in relations between the USSR and the PRC attentively and with great interest. Naturally, in their letters, they ask questions about many aspects of life in the PRC. For instance, A. Varivoda (Moscow), S. Mazurov (Bryansk), I. Khersonskiy (Donetsk), and many others have asked us to describe how the policy of accelerating socioeconomic development implemented by the CPC has affected the living standards of workers and employees.

Correspondents of the Beijing journal CHINA RECONSTRUCTS recently visited an average-income family and a low-income family in Tianjin City and described their incomes and expenditures and the living standards of the workers and employees living in that major PRC city in general. Below we publish a summary of the article.

At present, the real incomes of the city's workers and employees are 40 percent higher than in 1980, their wages having almost doubled over this period. That is an indicator without precedent in the entire history of the PRC.

While in 1980, to be classed as low-income, families needed to have an income of no more than 25 yuan per member, the corresponding figure now is 42 yuan per member. Some 5 percent of families living in Tianjin are classed as low-income families, and 1 percent of families are classed as experiencing serious difficulties.

Families whose monthly income per member exceeds 82 yuan, compared with 50 yuan in 1980, are regarded as materially well off. At present, around 20 percent of families in Tianjin are in this category, compared with 16 percent in the early 1980's.

A family whose monthly income per member is between 42 and 82 yuan is considered an average-income family. At present 75 percent of the city's families fall into this category.

As the working people's incomes increase, consumption grows. People want to eat better, dress better, and buy consumer durables. Over the past 5 years, the consumption of meat and fish in the city has increased by 21 and 17 percent, respectively. At the same time, purchases of goats have decreased. Color television sets, refrigerator-freezers, washing machines, cassette recorders, and bedroom furniture are in great demand.

By Tianjin's standards, Song Maoting's family is an average-income family. Song, the head of the family, is a middle-aged man who has recently been appointed foreman of a shop at the No 4 Radio Plant. His wage is 84 yuan per month. Wang Xiujun, his wife, who works in the control department of the enterprise, earns the same amount. With bonuses and allowances the family's monthly income comes to 260 yuan.

There are two children in the family, a daughter and a son, which is not in line with the official state policy of "one family, one child". "My son has brought my wages down by three grades," Song Maoting jokes, "because a special tax has to be paid for the second child."

The family rents a 14.5 square-meter room on the top floor of a 6-story house in the southwest quarter of Tianjin. The other room of the apartment is rented by another family.

In recent years, Song Maoting's family has acquired two bicycles, a sewing machine, a tape recorder, a radio set, a black-and-white television set, a washing machine, and a refrigerator.

On what do you spend most of your money? "On food," Wang Xiujun replies. "As you can see by what we are wearing, we do not attach too much importance to clothes," she smiles.

But what is the breakdown of the annual expenditures of Song Maoting's family? Some figures quoted by his wife provide quite a good idea of this. Almost 2,000 yuan per year goes to food. Song Maoting pays 32 and 42 yuan, respectively, for rent and for water and power. Last year 20 yuan went on medical care and 60 yuan on the children's education.

The family of Jin Wenjiang, a carpenter at the Tianjin No 4 Housebuilding Combine, is classed as a low-income family. His wife does not work and manages to earn only around 15 yuan per month doing casual jobs.

The head of the family earns a good wage but he only gives between 90 and 120 yuan monthly for the needs of the family. "I have no idea how much he actually earns," Jin Wenjiang's wife says. "Both my husband and I are illiterate. One of our sons will soon complete lower secondary school. We want him to continue his education at a technical college. We want him to become independent as soon as possible."

The family lives in its own tumbledown little house with a floorspace of 11 square meters. The Jins are very pleased that finally, after much trouble, they have been able to obtain a city residence permit.

In recent years the life of Jin Wenjiang's family has also improved. They have been able to acquire a wardrobe, a radio set, a watch, and a black-and-white television set. Apart from this they also own two bicycles.

How is the family's budget made up?

Each year 920 yuan is spent on food. Before Jin obtained the Tianjin residence permit, they had quite a hard time without ration cards. They pay 24 yuan per year for water and power. In 1985, Jin Wenjiang's wife fell sick and the medical expenses totaled 400 yuan, half of which was paid by the housebuilding combine where Jin Wenjiang works.

The example of Tianjin City shows that in recent years the living standards of workers and employees have markedly improved. At the same time, there still are problems which are gradually being resolved in the process of building the new society in the PRC.

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LABOR

EXPERIMENTING WITH RESULT-BASED WAGE SYSTEM

Shijiazhuang HEBEI RIBAO in Chinese 1 Nov 86 p 2

[Article by Wang Yizhang [3769 5030 4545]: "Give Play to Flexible Business Operations, Calculate Wages Based on Economic Results: Credit Cooperatives in Hebei's Cities Try Out Wage System Based on Results"]

[Text] In order to allow urban credit cooperatives flexible management Hebei's Industrial and Commercial Bank has been experimenting with a system of result-based wages among the province's urban credit cooperatives on a trial basis, thereby linking wages to the level of profit attained.

This method presupposes a contract system. The principle behind wage distribution is the calculation of wages with a base wage plus seniority pay, and adjustable pay which is based on realized profit per capita calculated at different levels: instead of the old egalitarianism, the city credit agencies carry out internal assessments, based on work responsibilities and redefine wages so that differences in responsibility will be reflected in a greater difference between wages. According to this method the average wage can be as high as 150 yuan or more, or as low as 56 yuan: failure to reach the minimum profit level will mean receiving only the base wage plus seniority pay. In this way, the individual worker's performance is linked to the result of the enterprise's operations; this eliminates the problems of egalitarianism arising from "eating out of the same big pot," or "iron rice bowl." After this system was implemented, many credit cooperatives extended business hours to at least 10 hours a day, and they remained open during lunch time and even on holidays. And in order to attract more depositors, some credit cooperatives are abandoning old practices of giving preferential treatment to depositors while slighting those who are withdrawing funds, or favoring large depositors over small depositors; they aggressively seek new businesses regardless of volume or trouble involved. Hebei's rural credit cooperatives have successfully increased the amount of deposits from 240 million yuan at the beginning of the year to more than 440 million yuan by the end of September; there is a loan surplus of 310 million yuan, and a short-term capital accumulation of 50 million yuan. Because total deposit exceeds loans, credit agencies have generated credit capital for the nation's banks.

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LABOR

LABOR SYSTEM REFORM: QUESTIONS, ANSWERS

Beijing JINGJI GONGZUO TONGXUN [ECONOMIC WORK BULLETIN] in Chinese No 18, 30 Sep 86 pp 12-13

[Article: "Labor System Reform: Questions and Answers"]

[Text] I. Who Will Be Affected by the Labor Contract System?

According to State Council regulations, the labor contract system should be implemented with workers hired for long-term positions in state-run enterprises, organs, institutions, and social organizations. Work centrally assigned by the state for military veterans from cities remains part of the permanent work system. University and secondary technical school graduates will also receive work from the state through centralized assignments; those assigned work as officials will generally not be part of the labor contract system. The current arrangement will be maintained unchanged for those who already have permanent employment. Some people say that all permanent employment will be changed over to labor contracts; this is a widespread but unfounded rumor.

II. What are the Main Differences Between the Labor Contract System and the Permanent Employment System?

The labor contract system is a new system of employment. The main differences between it and the permanent employment system are:

1. The permanent employment system relies solely on administrative measures to assign and hire workers. By means of a labor contract, the labor contract system uses economic, legal, and administrative measures to determine and adjust the labor relationship between the employee and the worker.
2. The permanent employment system establishes permanent, lifelong labor relationships: "a single work assignment lasts an entire lifetime." The period of employment under the labor contract system can be long or short. The contract may be ended at the expiration date, or it may be renewed.
3. The permanent employment system offers no flexibility in employment; employment under the labor contract system may be long-term, short-term, alternating, or of various other forms.

4. Contract system workers will enjoy the same level of wages, insurance, and other benefits as permanent employees within the enterprise in the same job category and position, but the ratio of wages to insurance and other benefits will differ.

In summary, the labor contract system offers both relative stability and necessary flexibility. It contains the advantages of the permanent employment system while eliminating its defects. It is thus in a better position to respond to the demands of growth in the planned commodity economy. It allows both enterprise and worker to exercise choice, thereby making it easier to arouse and give full play to the initiative of enterprises and workers.

III. What Specific Differences in Wages and Insurance Benefits Are There Between Contract System Workers and Permanent Workers?

According to State Council regulations, contract employees should enjoy the same level of wages, insurance, and other benefits as permanent employees within the enterprise in the same job category and position. As compared to permanent workers, insurance and other benefits will be reduced, such as the period of medical treatment for illness and non-work-related injuries (generally 3 months to 1 year; the medical treatment period can be appropriately lengthened for those working in the same unit over 20 years). Social security insurance will be in effect for retirees, with individuals paying small amounts into a retirement fund (not to exceed 3 percent of the individual's standard wage); family members are not entitled to medical care subsidies. Reductions made in the insurance and other benefits of contract workers will be compensated for through wage subsidies. The range of wage subsidies will be about 15 percent of the official wage of contract system workers. Why are there such provisions? The reason is a defect in the permanent employment system, which is overly comprehensive in regard to insurance and other benefits. The excessive coverage has been taken away from contract workers, but a greater proportion of their income and benefits will now be based on how much they work. This embodies the spirit of reform.

IV. Are Workers in the Contract System the Same as "Contract Workers" of the Past?

They are not the same. The labor contract system is an employment system comprising many methods of employment. Workers in the labor contract system are hired within the quotas of the national labor wage plan. Those working in long-term positions are regular workers of the enterprise, enjoying with the original permanent employees of their unit the same rights of labor, employment, study, participation in the democratic management of the enterprise, and eligibility for political honors and material incentives. The so-called "contract workers" in the past actually had not officially signed labor contracts. This did not constitute an employment system, but was merely a method of employment, similar to temporary employment. Their wages, insurance, and other benefits were generally lower than the permanent workers in that enterprise, so that the differences with workers hired under the current labor contract system are very great. To avoid misunderstanding, workers hired under the labor contract system are called contract system workers, not "contract workers."

V. Can Contract System Workers Transfer Jobs? How Is the Wage Determined After Switching Work Units?

Under the terms of the permanent employment system, the state offers "standard coverage and centralized work assignments" to permanent employees. Job transfer procedures must be followed when changing work units. These transfer procedures are inappropriate for contract system workers. When contract system workers change work units, the employer signing the labor contract is no longer the same, and so naturally the original labor contract is no longer applicable. In this case, the original contract with the old unit should be canceled and a new labor contract should be signed with the unit needing the new employee. If the change in work unit crosses into a new jurisdiction, the procedures for transferring the retirement fund should be followed. Of course, the cancellation of the labor contract between the worker and the original unit should be in accord with the relevant provisions of the "Provisional Regulations for Implementing the Labor Contract System in State-Run Enterprises."

When contract system workers stop working and complete their labor contracts, and return to employment in state-owned units, they will be paid, following examination of their credentials, according to the original wage level. The wage of those changing to a different kind of work shall not be lower than that of a Grade 2 worker during the trial period. After the trial period the grade will be fixed by evaluation. Such provisions help to ensure that the wage level of contract system workers matches their actual technical level.

VI. Is the Elimination of "Hiring from Within" a Renunciation of the Practice of State-Run Enterprises Setting Up Collective Businesses and Institutions To Give Work to the Children of Their Employees?

Not so. The so-called "hiring from within" is preferential hiring by state-run enterprises of the children of employees when regular workers are being hired in accord with quotas from the state for increasing the work force or for replacing natural attrition. This method cannot ensure that qualified workers are hired, thus lowering the quality of the work force. It also makes the family connections within the enterprise increasingly tangled and difficult to manage. The State Council therefore decided to officially put an end to it. But when state-run enterprises, in order to provide employment for the children of their employees, develop labor service companies and other collective economic undertakings which are independent accounting entities and which are responsible for their own profits and losses, the state-run enterprises are carrying out an important part of the "three linkages" employment plan. This is a separate matter from "hiring from within," and the serious application of this method should continue to be promoted.

VII. May Workers Terminate the Labor Contract Before It Has Expired?

If one condition applies of the four conditions listed in Article 15 of the "Provisional Regulations for Implementing the Labor Contract System in State-Run Enterprises," workers may terminate the labor contract. If none of the conditions in Article 15 apply, the contract system workers should work in the

unit until the contract expires. If a worker quits the job early in violation of the contract, he should be liable for breach of contract. If the contract system worker has legitimate reasons for needing to quit the job early, he should apply to the unit's leadership. After discussion leading to agreement on both sides, the labor contract may be terminated early.

VIII. Under What Circumstances May the Enterprise Terminate the Labor Contract? Can the Labor Contract Be Terminated When the Enterprise Has Too Many Employees?

If one condition applies of the four conditions listed in Article 12 of the "Provisional Regulations for Implementing the Labor Contract System in State-Run Enterprises," the enterprise may terminate the labor contract. Article 12 does not include "surplus personnel" as one of the conditions for terminating the labor contract. If the enterprise breaks the labor contract by arbitrarily terminating it, it must be liable for breach of contract. If the enterprise is truly unable to make use of surplus personnel due to changes in production, it may act in accord with Article 10 of the "Provisional Regulations": "when higher level responsible departments approve the transfer or adjustment of production duties, or when circumstances change, the enterprise may alter relevant portions of the contract following discussion and approval by both parties to the contract."

IX. What Is the Difference Between Dismissing Undisciplined Workers and Firing Them or Removing Their Names?

Two are essentially different. Firing is an enterprise's most serious administrative disciplinary measure. The dismissal of undisciplined employees is one way of dealing with those who "never make big mistakes, but always make small ones"--those who have always behaved poorly; or with those who, having committed quite serious mistakes, do not respond to education and administrative punishment but for whom there are no grounds for firing. It is not an administrative punishment. Those for whom there are grounds for firing should be fired according to the "Regulations on Rewarding and Punishing Enterprise Employees." Fired and dismissed employees may go to the local labor department to register their availability for employment. While dismissed employees are waiting for employment, they may receive worker unemployment benefits and medical care subsidies in accord with the "Provisional Regulations on Insurance for [Former] Workers of State-Run Enterprises Awaiting Employment." Fired personnel do not enjoy these benefits.

Removing the name from the personnel list is a way for enterprises to deal with personnel who have not reported to work for more than 15 consecutive days or for more than 30 days over the space of a year. This is also different from the dismissal of undisciplined personnel: those who have had their names removed do not enjoy worker unemployment insurance benefits.

X. What Is the Difference Between Worker Unemployment Insurance and Social Relief? Can Young People Awaiting Employment Enjoy Unemployment Insurance Benefits?

Unemployment insurance and social relief both fall into the category of social welfare. But the two differ in specific characteristics, functions, and recipients, and in the principles and standards by which they are granted. Social relief is given by departments of the people's government to those families whose average income is inadequate for maintaining the lowest standard of living in that area or who have met with special difficulties. It is a form of material assistance, provided to ensure that their most basic needs are met. Worker unemployment insurance is a form of social labor insurance, a means of providing material security to unemployed workers during their temporary wait for employment. Worker unemployment insurance is currently limited to four categories of people: employees of enterprises which have declared bankruptcy; employees whose jobs are eliminated in the legally mandated period of reorganization of enterprises facing bankruptcy; workers whose labor contracts have been terminated by the enterprise's closing; employees dismissed by enterprises. While awaiting employment, these people may receive unemployment benefits worth 50 to 75 percent of their official wage (the average official monthly wage for the 2 years prior to leaving the enterprise), depending on the length of employment. Those with 5 or more years of seniority may receive employment benefits for a maximum of 2 years; for those with less than 5 years of seniority, the maximum is 1 year. During this period they also have medical care subsidies. Those who still have not found employment by the time unemployment benefits run out may not continue to receive them. Social relief will assist those who meet with difficulties.

Worker unemployment benefits are a type of worker's insurance. The source of funding is money accumulated through previous work by employees. The benefits are a right enjoyed by employees who have previously worked in state-run enterprises. Young people awaiting work have not been employed in society and have no claim to labor insurance. They therefore cannot enjoy worker unemployment insurance benefits.

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CONSTRUCTION

SHENZHEN MAYOR ON CUTBACKS IN CONSTRUCTION PROJECTS

HK190943 Beijing RENMIN RIBAO in Chinese 15 Feb 87 p 2

[Article by RENMIN RIBAO reporter Ji Honggeng (6060 3126 6342): "Shenzhen Mayor on 'Compressing Air'"]

[Text] We follow with great interest the development of the situation in the Shenzhen Special Economic Zone (SEZ) which was the earliest established in China. In early February when the national conference on the work of the SEZ's was in progress, this reporter specially interviewed such comrades as Shenzhen Mayor Li Hao and Deputy Mayor Li Chuanfang. They spoke glowingly of how Shenzhen City "compressed air" to cool the overheated capital construction in the past year. Summary of the interview is as follows:

A Good and a Not Bad Thing

Question: Some people say: The curtailment of the scale of Shenzhen's capital construction has brought economic depression to the SEZ. What are your comments on the argument?

Answer: Since the beginning of last year, in line with the spirit of the national conference of the work of the SEZ's concluded in early 1986, and in the light of the situation in which the scale of capital construction was too large and the funds increased for that purpose too drastic, we have significantly curtailed the scale of capital construction. We slashed the number of construction projects by one third and suspended the construction of 51 high-rise buildings up to 18 stories high. Superficially, with project discontinuation, it seemed that the construction situation became a bit deserted, and the move also caused some problems. However, curbing the overextended scale of capital construction is a good and not bad thing. The achievements scored over the last 6 or 7 years since the founding of the Shenzhen SEZ are a well-known fact. After fighting a battle, it is necessary to sum up experience and to make readjustments and rearrangements to make sure that greater victories will be won in the next battle. Let the facts speak for themselves on the question whether there is a slump in Shenzhen's economy. In 1986 we suspended or postponed the construction of 804 projects involving an investment of 2.57 billion yuan in capital construction. This enabled us to use our strained situation of human and material resources, various contradictions

were alleviated, and the economy as a whole was moving ahead in a coordinated and steady way. Last year, the city's industrial output value increased by 33.3 percent over the previous year; the volume of foreign exchange earned through exports was up 33.9 percent and foreign exchange revenues and expenditures were balanced, with a slight surplus; and financial revenues increased, some debts were paid, and fewer amounts of state credit funds were used.

Question: It was said that Shenzhen failed to fulfill its capital construction plans last year.

Answer: According to the state mandatory plan, the investment in capital construction last year amounted to 2 billion yuan, of which we only fulfilled 95.5 percent. How should we approach this achievement? Failure to fulfill investment plans does not necessarily mean losing face. We must make a concrete analysis of how things stand. What needs stressing is to see whether construction funds are rational, and whether the returns on investment are desirable. Structure should go first and then scale. If the structure is irrational and efficiency is unsatisfactory, it would be better to undertake fewer projects. If we obstinately concentrate on the so-called fulfillment of the scale of investment, efficiency will be out of the question.

Question: Then should we pay any more attention to the "Shenzhen speed?"

Answer: Well-known throughout the country, the "Shenzhen speed" is the fruit of the painstaking labor of and the crystallization of the wisdom of Shenzhen's developers and the summarization of the rapid rise of the Shenzhen SEZ. However, we must not one-sidedly interpret the "Shenzhen speed" as concentrating on high speed to the neglect of time, conditions, and investment structure and returns. We want speed with efficiency. If the investment structure is irrational, the more rapidly projects are undertaken or the more projects are launched, the greater the losses and waste will be. However, as far as the projects that have been decided to be undertaken are concerned, we must pay close attention to speed, shorten their construction periods, and make sure that they will be completed and commissioned and will produce the desired results at an early date. We must not be sluggish and dilatory in carrying out any projects. In this sense, the "Shenzhen speed" under which a building floor was completed within 3 days and faster, better, and more economic results were achieved in project construction; and completed projects were neatly handed over should still be upheld and developed. At the same time, the Shenzhen speed refers to the growth rates of such areas as industry and agriculture instead of being confined to the speed of the construction of capital construction projects. The Shenzhen speed is also manifested in the fact that after the scale of capital construction is curtailed, industry and other fields of endeavor are still developing rapidly.

Ensure Priorities and a Correct Orientation

Question: What projects are those which have been curtailed? Have people achieved unity in their understanding?

Answer: Those which have been curtailed are mainly nonproductive projects and projects of average importance. In the last few years, the number of guesthouses, restaurants, and high-rise buildings was a bit too big, exceeding market demand in the short term. The economic results of these buildings were unsatisfactory. Viewed from the long-term point of view, some projects are still needed, but it is inappropriate to undertake them too prematurely and rapidly. For this reason, we made readjustments in this aspect this time. At first, people's understanding varied. Some people said: The SEZ's should do things in a special way. Since we use imported funds in undertaking capital construction projects, it does not matter even if their scale is a bit too extended. Through our work, people have come to realize that true, the SEZ's should be run in a "special" way but they should not stray away from the state's macroeconomic control in terms of the scale of capital construction. Moreover, as far as the scale of capital construction is concerned, we must take the capability of the SEZ's to withstand strains and the orientation of their economic development into account. Thanks to the readjustments carried out in the past year, this year we feel we have gained greater initiative in our work. Ups and downs in our capital construction are out of the question.

Question: How did Shenzhen start with the readjustment of the scale of capital construction?

Answer: In one word, we must have the spirit of "making some sacrifice to save the overall situation," discontinue the projects that ought to be discontinued, and make every effort to ensure the construction of the projects that should be undertaken so that investment patterns will become increasingly rational. We paid attention to using our limited funds in the infrastructures necessary for developing such areas as export-oriented industries, transport, telecommunications, and energy industry. For example, the construction of the B Power Plant in Shajiao, the floating-method glassworks, the overhead railroad bridge, the Luosha tunnel, and a number of export-oriented industrial projects has been ensured.

Building Standards Must Transcend Reality

Question: I have learned that you have revised your building standards.

Answer: Yes, we have revised the excessively high building standards. Building is a form of art. Everybody agrees that houses should be built fairly beautifully. However, building standards should not transcend reality. We should not concentrate on the form of "being modernized" and on the notion that the more Westernized and the higher the standards of the houses we built, the better. Modernization takes a process of development. Consumption is divided in grades. In the Shenzhen market there are different consumption grades, high, intermediate, and low, involving foreign businessmen, local people, and people from other parts of the country. Our building standards should be geared to these needs.

Question: What measures have you taken to check the tendency of overheated capital construction?

Answer: In controlling the scale of capital construction, strict discipline should be observed. We have laid down hard and fast rules. No unit shall break through the assigned plan targets and revise or break through the scale, acreage, and standards of all financial investment projects without authorization. Particularly, we stipulated that units in charge of construction are not allowed to undertake new projects for construction units in the forms of paying the costs of the projects for the latter in advance or through temporarily demanding payments for the projects. No bank shall grant loans to capital construction projects outside the state plan.

Of course, we must be firm in our determination to curtail the scale of capital construction and act with caution. We should refrain from demanding uniformity in solving different problems and do a good job in dealing with problems arising from the suspension and postponement of some projects. We have made an analysis of every project and adopted appropriate measures to curtail losses as far as possible.

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TRANSPORTATION

BRIEFS

AIRLINES INCREASE DOMESTIC ROUTES--[Report: "The China United Aviation Company To Open Eight Domestic Routes This Spring"] Beijing, 17 February (ZHONGGUO XINWEN SHE)--The China United Aviation Company will open this spring eight domestic routes. They are: Beijing-Nantong, Beijing-Anshan, Beijing-Foshan-Guilin, Wuxi-Suzhou-Foshan, Nanjing-Foshan, Fuzhou-Foshan, Xian-Foshan, and Xian-Beijing. The China United Aviation Company is the biggest of the 17 local aviation companies in China. By the end of this year, the number of routes managed by this company will have been increased from the present 12 to 27. The China United Aviation Company has transported 100,000 passengers. Most of them were foreigners and compatriots from Hong Kong and Macao who came on sightseeing visits to China. [Text] [Hong Kong ZHONGGUO XINWEN SHE in Chinese 1048 GMT 17 Feb 87 HK] /6662

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